ONE Joint Investment Board
Regular Board Meeting
Agenda

Meeting #: 2020-03
Date: June 23 2020, 9:00 a.m.
Location: Zoom Virtual Meeting

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8. Other Business

9. Meeting Outcomes

10. Authorizing Motion

11. Adjournment

12. Next Meeting - July 14, 2020 (9:00 a.m.)

ONE JIB

Regular Board Meeting

Minutes

Meeting #:	**2020-01**
Date:	**May 19, 2020, 9:00 a.m.**
Location:	**Zoom Virtual Meeting**

Board Members Present:
Aubrey Basdeo
Jennifer Dowty
Heidi Franken
James Giles
Bill Hughes
Geri James
Stephen Rettie

Others Present:
Judy Dezell, Co-President/Co-CEO
Donna Herridge, Co-President/Co-CEO
Heather Douglas, Partner, WeirFoulds LLP
Evelyn Foo, Chief Compliance Officer
Denis Kelly
Colin Macdonald, Manager of Investments
Keith Taylor, Chief Investment Officer

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1. Welcome

Heather Douglas, Counsel, WeirFoulds, LLP, acted as the Presiding Officer pending the appointment of the Board Chair.

Ms. Douglas introduced herself to the ONE JIB members and welcomed all to the inaugural ONE JIB meeting.

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2. Disclosures of Pecuniary Interest

There were no disclosures of pecuniary interest.

3. Introduction of Board Members

Board members introduced themselves and made a few brief comments on their professional backgrounds.

4. Initial Formation Agreement with Founding Municipalities

Heather Douglas, Counsel, WeirFoulds, LLP, made a presentation to the Board on the Initial Formation Agreement between the Founding Municipalities.

Moved by Board Member Hughes

THAT the Board receive the report (May 19, 2020) from Heather Douglas, Counsel, WeirFoulds LLP, and the Initial Formation Agreement.

Carried

5. Appointment of Chair

The Presiding Officer requested nominations for the position of Board Chair for the term ending May 31, 2023, and until a successor is appointed.

Board Member Rettie nominated Board Member Hughes as the Board Chair for the ONE JIB for the term ending May 31, 2023 and until a successor is appointed.

Moved by Board Member Rettie

THAT nominations for the position of Board Chair be closed.

Carried

Moved by Board Member Rettie

THAT the Board appoint Bill Hughes as the Board Chair for the term ending May 31, 2023, and until a successor is appointed.

Carried

6. Appointment of Vice-Chair

Board Chair Hughes requested a nomination for Board Vice-Chair.

Board Member Giles nominated Board Member James for the position of Board Vice-Chair for the term ending May 31, 2023, and until a successor is appointed.

Moved by Board Member Basdeo

THAT nominations for the position of Vice-Chair be closed.

Carried

Moved by Board Member Giles

THAT the Board appoint Board Member James as the Board Vice-Chair for the term ending May 31, 2023, and until a successor is appointed.

Carried

7. Appointment of Secretary

Moved by Board Member Giles

THAT the Board appoint Denis Kelly as the Board Secretary.

Carried

8. Procedure By-law

Denis Kelly, Board Secretary, made a presentation to the Board on the Procedure By-law.

Board Chair Hughes indicated that sections 4 and 7 of the Procedure By-law will need minor amendments to reflect that the Board Chair and Board Vice-Chair are to be appointed annually after the initial term and that the Secretary and alternate Secretary are to be appointed by the Board, acting on the advice of ONE Investment.

Moved by Board Member Franken

THAT the Board adopt the recommendation in the report (May 19, 2020) from Denis Kelly, Board Secretary, and pass the Procedure By-law, as amended.

Carried

9. Appointment of Legal Counsel

Moved by Board Vice-Chair James

THAT the Board appoint WeirFoulds LLP as Legal Counsel.

Carried

10. Appointment of Integrity Commissioner and Closed Meeting Investigator

Heather Douglas, WeirFoulds, LLP, Legal Counsel, made a presentation to the Board on the appointment of the Integrity Commissioner and Closed Meeting Investigator.

Moved by Board Member Basdeo

THAT the Board adopt the recommendation in the report (May 19, 2020) from Heather Douglas, WeirFoulds, LLP, Legal Counsel, and appoint Aird & Berlis, LLP to provide Integrity Commissioner and Closed Meeting Investigator services for a period of one year and that ONE JIB execute the Services Agreement with Aird & Berlis, LLP.

Carried

11. ONE JIB Orientation

Denis Kelly, Board Secretary, made a presentation to the Board members outlining various matters relating to the formation and responsibilities of the Board. He was joined by Susan Han, Partner, WeirFoulds, LLP, Legal Counsel and John Mascarin, Partner, Aird & Berlis, LLP, the Board's Integrity Commissioner and Closed Meeting Investigator.

Moved by Board Member Basdeo

THAT the Board receive the presentation.

Carried

Moved by Board Member Giles

THAT the Board take a 10 minute recess, and resume at 11:00 a.m.

Carried

The Board recessed at 10:50 a.m. and reconvened at 11:02 a.m.

12. Appointment of Signing Officers

Heather Douglas, WeirFoulds, LLP, Legal Counsel, made a presentation to the Board on the appointment of signing officers.

Moved by Board Member Dowty

THAT the Board adopt the recommendations in the report (May 19, 2020) from Heather Douglas, WeirFoulds, LLP, Legal Counsel regarding ONE JIB Signing Authorities as follows:

1. ONE JIB appoints the Chair and Secretary together as the authorized signatories with authority to bind ONE JIB;
2. ONE JIB requires two authorized signatures for all Documents signed on its behalf;
3. In the Chair's absence, ONE JIB appoints the Vice-Chair as the authorized signatory to sign in place of the Chair;
4. ONE JIB authorizes the Secretary to delegate the authority to sign in the place of the Secretary in the Secretary's absence to an appropriate official of ONE Investment who is not a member of ONE JIB.

Carried

13. ONE JIB Agreement

Heather Douglas, WeirFoulds, LLP, Legal Counsel, made a presentation to the Board on the ONE JIB Agreement.

Board Chair Hughes noted that there would need to be a minor amendment to the ONE JIB Agreement as sections 3.7 and 4.11 of the Terms of Reference, which are part of the agreement, need to be amended to reflect the appointment of the Secretary and alternate Secretary by the Board, acting on the advice of ONE Investment, and the annual appointment of the Board Chair and Vice-Chair after the initial term.

Moved by Board Member Rettie

THAT the Board adopt the recommendation in the report (May 19, 2020) from Heather Douglas, WeirFoulds, LLP, Legal Counsel, and that the Board Chair and Board Secretary execute the ONE JIB Agreement, as amended, on behalf of the ONE JIB.

Carried

14. ONE JIB Terms of Reference

Heather Douglas, WeirFoulds, LLP, Legal Counsel, made a presentation to the Board on the ONE JIB Terms of Reference.

Ms. Douglas noted that minor amendments will be needed to sections 3.7 and 4.11 of the Terms of Reference to reflect the appointment of the Secretary and alternate Secretary, acting on the advice of ONE Investment, and the annual appointment of the Board Chair and Vice-Chair after the initial term.

Moved by Board Vice-Chair James

THAT the Board adopt the recommendation in the report (May 19, 2020) from Heather Douglas, WeirFoulds, LLP, Legal Counsel, and approve the ONE JIB Terms of Reference, as amended, that form part of the ONE JIB Agreement.

Carried

15. Code of Conduct

Heather Douglas, WeirFoulds, LLP, Legal Counsel, made a presentation to the Board on the Code of Conduct.

Moved by Board Member Franken

THAT the Board adopt the recommendation in the report (May 19, 2020) from Heather Douglas, WeirFoulds, LLP, Legal Counsel, and approve and adopt the ONE Joint Investment Board Code of Conduct as presented.

Carried

16. Services Agreement with ONE Investment

Heather Douglas, WeirFoulds, LLP, Legal Counsel, made a presentation to the Board on the Services Agreement with ONE Investment.

Moved by Board Vice-Chair James

THAT the Board adopt the recommendation in the report (May 19, 2020) from Heather Douglas, WeirFoulds, Legal Counsel, that ONE JIB formally engage ONE Investment as its agent pursuant to the terms and conditions in the Services Agreement in its current form.

Carried

17. Schedule of Meetings

The Board was presented with a schedule of meeting dates for 2020 and 2021.

Moved by Board Member Dowty

THAT the Board adopt the schedule of meetings, as follows:

<u>2020</u>
May 19
May 20
June 23
July 14
August 26
September 16
October 20
November 18
December 15

<u>2021</u>
January 12
March 10
May 11
July 14
September 14
November 17

Carried

18. Other Business

Board Member Rettie indicated that the Board should temporarily establish a nominating committee comprised of the Board Chair, Board Vice-Chair and Board Member Rettie, to fill the vacant municipal treasurer position on the ONE JIB by no later than the Board's June 23rd meeting.

As this item was not on the Agenda, Board Chair Hughes indicated that it would require a vote of 2/3 of the Members present for it to carry.

Moved by Board Member Dowty

THAT the Board temporarily establish a nominating committee comprised of the Board Chair, Board Vice-Chair and Board Member Rettie to fill the vacant municipal treasurer position on the ONE JIB and make a recommendation to the Board by no later than the Board's meeting of June 23, 2020.

Carried by a 2/3 Majority Vote

19. Closed Session - Private Attachment to Integrity Commissioner and Closed Meeting Investigator Services Agreement with Aird & Berlis LLP - Solicitor-Client

The Board convened in closed session at 12:05 p.m.

Moved by Board Member Rettie

THAT the Board move into closed session for the purpose of considering a private attachment to the Integrity Commissioner and Closed Meeting Investigator Services Agreement with Aird & Berlis LLP, as this relates to a matter of solicitor-client privilege.

Carried

20. Reconvene in Public Session

Moved by Board Member Dowty

THAT the Board reconvene in public session.

Carried

The Board reconvened in public session at 12:16 p.m.

Moved by Board Vice-Chair James

THAT the Board receive the private attachment.

Carried

21. Authorizing Motion

Board Chair Hughes suggested that there be a motion that the appropriate staff of ONE JIB and ONE Investment be given the authority to do all things necessary, including executing any documents, to give effect to the Board's decisions today. He indicated that this motion would require a 2/3 vote of the Members present to carry since it was not listed on the Agenda.

Moved by Board Member Dowty

THAT the appropriate staff of ONE JIB and ONE Investment be given the authority to do all things necessary, including executing any documents, to give effect to the Board's decisions today.

Carried by a 2/3 Majority Vote

22. Adjournment

Moved by Board Member Giles

THAT the Board adjourn its meeting.

Carried

The meeting adjourned at 12:20 p.m.

23. Next Meeting: May 20, 2020 - 9:00 a.m.

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Denis Kelly, Board Secretary

ONE JIB

Regular Board Meeting

Minutes

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

Members Present:
Board Chair Hughes
Board Vice-Chair James
A. Basdeo
J. Dowty
H. Franken
J. Giles
S. Rettie

Others Present:
J. Dezell, Co-President/Co-CEO, ONE Investment
D. Herridge, Co-President/Co-CEO, ONE Investment
H. Douglas, WeirFoulds LLP, Legal Counsel
E. Foo, Chief Compliance Officer, ONE Investment
D. Kelly, Board Secretary
C. Macdonald, Manager of Investments, ONE Investment
K. Taylor, Chief Investment Officer, ONE Investment

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1. Chair's Welcome

Board Chair Hughes welcomed all to the second ONE JIB meeting.

2. Disclosures of Pecuniary Interest

There were no disclosures of pecuniary interest.

3. Delegations

There were no delegations.

4. Strategy and Policy

4.a Fund Offerings and Investment Managers

Keith Taylor, Chief Investment Officer, ONE Investment, made a presentation on the proposed Fund Offerings and Investment Managers.

Moved by Board Member Basdeo

THAT the Board adopt the recommendation to provide the following fund offerings;

- ONE HISA for cash
- ONE Canadian Government Bond Fund for domestic sovereign bonds
- ONE Corporate Bond Fund for domestic corporate credit
- ONE Global Bond for global fixed income (including high yield bonds)
- ONE Canadian Equity Fund for domestic equity
- ONE Global Equity Fund for global equity (including emerging markets)

Carried

Moved by Board Member Franken

THAT the Board adopt the recommendation to hire the following external fund managers:

- ONE HISA - Not applicable
- ONE Canadian Government Bond Fund - MFS Investment Management
- ONE Corporate Bond Fund - MFS Investment Management
- ONE Global Bond - Manulife Asset Management
- ONE Canadian Equity Fund - Guardian Capital LP
- ONE Global Equity Fund - Mawer Investment Management Ltd.

Carried

Moved by Board Member Rettie

THAT the Board receive the information in the Fund Offerings and Investment Managers report including the following:

a. The legislative backdrop for the prudent investor standard

b. The process of establishing a Joint Investment Board

c. Investing under the Prudent Investment Standard versus the Legal List

d. 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

    iii. Investment Plan

f. Risk and return analysis

    i. Why moving to prudent investor improves risk/return by municipalities

    ii. Risk Tolerance of Founding Municipality versus proposed allocations

g. The building blocks of Prudent Investor allocations - Outcomes and Funds

h. The Investment Manager selection process and review of the managers selected

i. Canadian investment exposures - mandates and managers

Carried

Moved by Board Member Basdeo

THAT staff bring back a report on the cost of passive vs. active income funds and potential correlations between global unconstrained fixed income investments with equities and alternative fixed income investments by the fall 2020.

Carried

Moved by Board Member Giles

THAT the Board recess for 10 minutes.

Carried

The Board recessed at 11:00 a.m. and reconvened at 11:13 a.m.

4.b Outcomes Framework and Formulating Investment Plans

Keith Taylor, Chief Investment Officer, ONE Investment, made a presentation to the Board on the outcomes framework.

Moved by Board Vice-Chair James

That the Board adopt

1. the revised outcomes framework described in Table 1 of this report, amended by the following changes:

    i. Changing the name of the first outcome category from "Cash Plus" to "Cash".
    ii. Deleting the word "stable" from the description of the objective for the stable return and asset management reserves outcomes.
    iii. Adding the words "and infrequent" after "unexpected" in the description of the objective for the contingency outcome.
    iv. Replacing the word "specific" with "capital" in the description of the objective for the target date outcomes.
    v. Deleting the "Cash Plus 3-5 yrs" Outcome Strategy from the "Cash" Outcome Category and adding a "Target Date 3-5 yrs" Outcome Strategy to the "Target Date" Outcome Category, so that Table 1 now reads as follows:

Table 1
Investment Outcomes

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

2. Adopt the investment allocations shown in Table 2 of this report as amended by the amendments to the Investment Outcomes in Table 1 so that Table 2 now reads as follows:

Table 2
Outcomes – Investment Allocation

							Allocation			
Name	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%			100.0%	100%
Stable Return	10.0%	9.0%	21.0%	9.0%	9.0%	42.0%	30.0%	60.0%	10.0%	100%
Contingency	0.0%	18.0%	42.0%	6.0%	6.0%	28.0%	60.0%	40.0%		100%
Asset Management	0.0%	27.0%	63.0%	1.5%	1.5%	7.0%	90.0%	10.0%		100%
Target Date 3-5	20.0%	3.0%	7.0%	10.5%	10.5%	49.0%	10.0%	70.0%	20.0%	100%
Target Date 5-10	0.0%	15.0%	35.0%	7.5%	7.5%	35.0%	50.0%	50.0%		100%
Target Date 10+	0.0%	22.5%	52.5%	3.75%	3.75%	17.5%	75.0%	25.0%		100%

3. Direct staff to prepare investment plans for each founding municipality for the Board's consideration at its meeting on June 23, 2020.

4. Direct staff to apply the revised outcomes framework in developing the investment plan for each municipality, while ensuring that the proposed investment plan is consistent with the municipality's Investment Policy Statement, where consistent means consistent with the municipality's investment objectives, risk tolerance and investment horizons for the amounts it is defining as money not required immediately under the prudent

investor standard, as described in the Investment Policy Statement and Municipal Client Questionnaire. For clarity, consistency does not require adherence to the initial version of the outcomes framework discussed with municipalities prior to approval of an outcomes framework by ONE JIB.

Recommendations 1, 3 and 4 **Carried**.

Amendment:
Moved by Board Vice-Chair James

THAT the Board adopt the Investment Allocations shown in Table 2 of this report as amended.

A recorded vote on the adoption of recommendation 2 relating to the investment allocations was as follows:

In favour: Basdeo, Franken, Hughes, James, Rettie (5)

Opposed: Dowty, Giles (2)

Recommendation 2 **Carried**.

Moved by Board Member Giles

THAT the Board recess for a period of approximately 45 minutes.

Carried

The Board recessed at 1:05 p.m. and reconvened at 1:52 p.m.

4.b.1 Town of Bracebridge

The Board continued with a presentation and discussion on the appendices reports relating to the Investment Plans for each of the Founding Municipalities.

Keith Taylor, Chief Investment Officer, ONE Investment, gave a brief summary, background and analysis on the investment mapping and proposed investment allocations for the Town of Bracebridge.

4.b.2 Town of Huntsville

Keith Taylor, Chief Investment Officer, ONE Investment, gave a brief summary, background and analysis on the investment mapping and proposed investment allocations for the Town of Huntsville.

4.b.3 Town of Innisfil

Keith Taylor, Chief Investment Officer, ONE Investment, gave a brief summary, background and analysis on the investment mapping and proposed investment allocations for the Town of Innisfil.

4.b.4 City of Kenora

Keith Taylor, Chief Investment Officer, ONE Investment, assisted by Colin Macdonald, Manager of Investments, ONE Investment, gave a brief summary, background and analysis on the investment mapping and proposed investment allocations for the City of Kenora.

4.b.5 District of Muskoka

Keith Taylor, Chief Investment Officer, ONE Investment, gave a brief summary, background and analysis on the investment mapping and proposed investment allocations for the District of Muskoka.

4.b.6 Town of Whitby

Keith Taylor, Chief Investment Officer, ONE Investment, gave a brief summary, background and analysis on the investment mapping and proposed investment allocations for the Town of Whitby.

Moved by Board Member Franken

THAT the Board receive Appendices reports 4.b.1 to 4.b.6, inclusive.

Carried

4.c Benchmark for Prudent Investor Funds

Keith Taylor, Chief Investment Officer, ONE Investment, briefed the Board on the benchmark for prudent investor funds.

Moved by Board Vice-Chair James

THAT the Board refer the report to staff for further development and report back to the Board on June 23, 2020.

Carried

5. Other Business

Sensitivity Analysis – Equity Reduction

Moved by Board Member Dowty

That staff provide a sensitivity analysis report reducing the equity and increasing the fixed income allocations by both 5% and 10% and report back to the Board on June 23, 2020.

Carried

6. Meeting Outcomes

Board Chair Hughes outlined the meeting outcomes from today's meeting:

1. Approved the ONE JIB suite of Investment offerings.

2. Approved the fund managers for each of the building block funds.

3. Approved the revised outcomes framework with some amendments.

4. Directed staff to use the revised outcomes framework in developing investment plans for the six Founding Municipalities.

5. Approved allocations of funds for each of the outcomes.

6. Reviewed the appendices containing the draft investment plans for each of the Founding Municipalities.

7. Discussed benchmarks and will consider them at the June 23, 2020 meeting.

7. Closed Session

There was no closed session.

8. Authorizing Motion

Moved by Board Member Basdeo

THAT the appropriate staff of ONE JIB and ONE Investment be given the authority to do all things necessary, including executing any documents, to give effect to the Board's decisions today.

Carried

9. Adjournment

Moved by Board Member Dowty

THAT the Board adjourn its meeting.

Carried

The meeting adjourned at 3:49 p.m.

10. Next Meeting: June 23, 2020 - 9:00 a.m.

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Denis Kelly, Board Secretary

To: ONE Joint Investment Board
From: Nominating Committee
Date: June 23, 2020
Report: 20-201

Meeting #:	**2020-01**
Date:	**June 9, 2020**
Location:	**Zoom Virtual Meeting**

Board Members Present:
Board Chair Hughes
Board Vice-Chair James
S. Rettie

APPOINTMENT OF BOARD MEMBER

The Nominating Committee recommends the appointment of Mike Melinyshyn as a Board Member on the ONE Joint Investment Board for the term ending April 1, 2021.

Respectfully submitted.

REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer
Date: June 23, 2020
Re: Benchmarks for Prudent Investor Funds – Global Bond and HISA
Report: 20-013

1. Recommendations

It is recommended that the Board:

1.1. Approve the following benchmarks for the Prudent Investor investment options:

Investment Option / Fund	Benchmark
ONE HISA	Bank of Canada 1 Year GIC Rate (series: V80691339).
ONE Canadian Government Bond Fund	95% the DEX All Government Short Bond Index and 5% the DEX91 Day T-Bill Index
ONE Canadian Corporate Bond Fund	48% FTSE TMX Canada All Government Bond Index, 40% FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% FTSE TMX Canada 91 Day T-Bill Index.
ONE Canadian Equity Fund	S&P/TSX Composite Total Return Index
ONE Global Bond Fund	Bloomberg Barclays Multiverse Index
ONE Global Equity Fund	MSCI ACWI (net)

1.2. Notwithstanding the foregoing approval, ONE Investment is authorized and instructed to continue to review and monitor these benchmarks and their use by ONE JIB, including with respect to fees and costs. If a modification is warranted, ONE Investment will so advise ONE JIB.

2. Key Points

- ONE JIB needs to select appropriate benchmarks for the Prudent Investor products for the purposes of performance measurement.

- ONE JIB directed staff to report back on performance benchmarks at its June 23, 2020 meeting.
- Selection of benchmarks is subject to a variety of considerations, including cost.
- Except for HISA, which has no external manager, each of the benchmarks proposed is the benchmark used by the external fund managers.
- Recommended benchmarks for ONE Canadian Government Bond Fund, ONE Canadian Corporate Bond Fund and ONE Canadian Equity Fund are the same benchmarks currently used for the corresponding ONE Legal List Investment Program products.
- Unconstrained global fixed income mandates do not have a standard, widely used benchmark and their highly active mandates mean that no established benchmark will be a perfect proxy
- A one-year GIC rate is an effective proxy for cash holdings like ONE HISA
- The unhedged version of the benchmark used by the external manager (the mandate's primary benchmark) for the Global Bond Fund and the one-year GIC rate for ONE HISA are recommended.
- The Global Bond Fund and ONE HISA are used in the construction of blended benchmarks to evaluate the performance of municipal investments, so it is appropriate to have benchmarks for them, as well as for ONE JIB's other investment options

3. Background

ONE JIB needs to select benchmarks for the Prudent Investor Standard products for the purposes of performance measurement

ONE JIB intends to select benchmarks to evaluate the performance of its external investment managers. ONE JIB will use blended benchmarks in proportion to their asset allocation weights to measure performance of ONE Investment Outcomes. Benchmarks will not be used in any promotional material.

At its May 20, 2020 meeting, ONE JIB referred Report 20-012, "Investment Manager Benchmarks," to staff for further development

ONE JIB directed staff to conduct additional analysis and provide advice on two matters: (1) whether the benchmark for the Global Bond Fund should be hedged or unhedged, and (2) an appropriate benchmark for the ONE HISA.

4. Analysis

Unconstrained global fixed income mandates do not have a standard, widely used benchmark and their highly active mandates means that no established benchmark will be a perfect proxy

The performance of traditional bond mandates is largely a reflection of the impact of changes in interest rates and changes in credit spreads. Unconstrained global fixed income mandates are very different as they are highly active and less dependent on interest rates to generate returns. In many cases, managers of these funds do not specify a performance benchmark because the mandate's approach is adaptive and more dynamic than typical bond funds which makes it very dissimilar to traditional bond benchmarks. Occasionally benchmarks for global unconstrained bond funds will have a cash return plus a certain percentage target or an absolute return target.

In the absence of a widely accepted, broad market index, ONE JIB asked that staff consider use of short-term interest rates (example e.g., 30-day CDOR) as a benchmark for Global Bond Fund. A short-term interest rate benchmark, such as the one-year GIC rates published by the Bank of Canada, is also a viable choice, because the nature of the unconstrained mandate effectively means the manager is attempting to generate returns in excess of cash returns, and the pattern of returns is intended to be dissimilar to performance of traditional fixed income benchmarks. Short-term interest rates could assist ONE JIB in evaluating the value-add, in terms of excess performance, delivered by the external investment manager.

The external investment manager has adopted, as the primary performance benchmark for the ONE Global Bond Fund, the unhedged version of the Barclays Bloomberg Multiverse Index. The Bloomberg Barclays Multiverse Index provides a broad-based measure of the global fixed income bond market. The index represents a blend of the Global Aggregate Index and the Global High Yield Index and captures investment grade and high yield securities in all eligible currencies. This index was adopted by the external manager in April 2007 to facilitate comparability with its peers. Prior to April 2007 the external manager's composite benchmark for its global unconstrained fixed income mandate was 45% ML US High Yield Master II Index / 35% JP Morgan Global Bond (Non-US) / 20% ML US Treasury Master. The external manager also provides a CAD hedged version of the Bloomberg Barclays Multiverse Index benchmark for its Canadian clients.

The information presented by Manulife at manager selection interviews showed that the mandate's pattern of performance did not closely track either the hedged nor the unhedged version of its chosen benchmark.

Without strong evidence to support diverting from the manager's chosen benchmark, adopting the external manager's benchmark for performance reporting purposes makes sense. The unhedged version of the benchmark chosen provides greater comparability to the Global Bond Fund's peers, and the CAD hedged version of the benchmark provides no discernable advantages in comparability. Therefore, the unhedged Bloomberg Barclays Multiverse Index is a reasonable benchmark for the ONE Global Bond Fund.

A one-year GIC rate with its short-term interest rates is an effective proxy for cash holdings like ONE HISA

ONE HISA is effectively a demand deposit product and not an actively managed investment product. As cash is included in several of the outcome allocations, blended benchmarks for these allocations require a return proxy for cash. For this reason, it will be necessary to have a benchmark for ONE HISA returns even though manager performance is not a factor in returns. The interest earned on ONE HISA is bank prime less a fixed percentage.

The one-year GIC rate published by the Bank of Canada is a reasonable benchmark for ONE HISA.

5. Conclusion

Benchmarks are needed to enable ONE JIB to assess the performance of the investment managers, the outcomes in the Outcomes Framework, and municipal investments.

Each of the benchmarks are reputable and widely recognized in the investment industry. In selecting these recommended benchmarks, the external managers of each mandate were consulted by ONE Investment's Chief Investment Officer. The review included historical tracking of these benchmarks against similar mandates managed by the external managers; these reviews confirmed the applicability of the recommended benchmarks. Therefore, these benchmarks represent an appropriate standard against which to measure the performance of the external managers and ONE Prudent Investor investment options.

Drafted by: Keith Taylor, Chief Investment Officer
Approved for submission by: Evelyn Foo, Chief Compliance Officer

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

REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer
Date: June 23, 2020
Re: Sensitivity Analysis of Investment Allocations
Report: 20-014

1. Recommendations

It is recommended that:

The report be received for information

2. Key Points

- Expected annual returns and standard deviation are presented for three scenarios: (1) using the current allocations as decided in the May 22, 2020 ONE JIB meeting, (2) reducing the equity allocation by 5%, and (3) reducing the equity allocation by 10%.

- Risk tolerances of the Founding Municipalities have been presented to gauge if the changing equity weights are more suitable considering each municipality's risk tolerance.

- The efficient frontiers are concave; the slope diminishes as more risk is assumed. The tradeoff between risk and return is not constant – at higher return levels more risk needs to be assumed to increase return. That is, the Sharpe ratio diminishes as more risk assumed.

- Lowering equity weights by 10% has a modest impact on risk levels which is mitigated by a longer investment time horizon

- Conditional Tail Expectation (CTE) analysis has also been provided as standard deviation as a measure of risk does not adequately account for the long-term investment horizons of the municipalities. The risk associated with investment allocation diminishes as the investment horizon changes.

- This additional context demonstrates that the risk return profiles are appropriate for municipalities considering their risk tolerances and investment time horizons as disclosed in their Investment Policy Statement (IPS) and Municipal Client Questionnaire (MCQ).

3. Background

Staff were requested to present additional sensitivity analysis to better understand how changing investment allocations affected the expected risk and return attributes – specifically to analyze the impact of reducing the equity allocations by 5% and 10%.

The risk tolerance of the participating municipalities is relevant to any decisions related to this sensitivity analysis. The key consideration is to validate that the risk profile of investments matches the preferences, goals, and risk tolerance of the investors.

The municipal IPS defines risk tolerance and this information on risk tolerances is elaborated in the MCQ.

Each Founding Municipality disclosed details of their risk tolerance when answering the following three questions in the 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 answers to these questions in the MCQ from each of the Founding Municipalities capture how they evaluate risk. Table 1 provides a summary of the Founding Municipalities responses.

Table 1 - Founding Municipalities MCQ Risk Responses

	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%

4. Analysis

The sensitivity analysis is presented in Tables 2, 3 and 4, which respectively represent the proposed allocations, the allocations with 5% less equity, and the allocations with 10% less equity. As can be seen in these tables, the yellow cells have been adjusted to reflect the different assumptions that affect the return and standard deviation for each outcome. The grey cells show the corresponding allocations for each municipality.

Table 2 - Proposed Allocations with Risk and Return Detail

		Allocation			Outcomes	
Outcome Category	**Outcome Strategy**	**Equity**	**Fixed Income**	**Cash**	**Strategy Return**	**Strategy Std Dev**
Cash Plus	Cash			100%	0.9%	1.3%
	Cash Plus	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%

	New Allocations		
	Return	**Std Dev**	**Equity**
Bracebridge	5.1%	7.2%	67.6%
Huntsville	3.5%	4.1%	34.4%
Innisfil	4.9%	6.6%	60.0%
Kenora	4.0%	4.5%	34.7%
Muskoka	4.0%	4.5%	34.9%
Whitby	4.0%	4.5%	35.3%

Table 3 - Proposed Allocations (with 5% less equity) with Risk and Return Details

		Allocation			Outcomes	
Outcome Category	**Outcome Strategy**	**Equity**	**Fixed Income**	**Cash**	**Strategy Return**	**Strategy Std Dev**
Cash Plus	Cash			100%	0.9%	1.3%
	Cash Plus	5%	75%	20%	2.9%	2.7%
Stable Return	Stable Return	25%	65%	10%	3.7%	3.8%
Contingency	Contingency	55%	45%		4.8%	6.2%
	Asset mgt reserves	85%	15%		5.6%	8.7%
Target Date	Target Date 5-10 yrs	45%	55%		4.5%	5.4%
	Target Date 10+ yrs	70%	30%		5.2%	7.4%

	New Allocations		
	Return	**Std Dev**	**Equity**
Bracebridge	5.0%	6.8%	62.6%
Huntsville	3.4%	3.8%	30.6%
Innisfil	4.8%	6.2%	55.0%
Kenora	3.8%	4.2%	29.7%
Muskoka	3.8%	4.2%	30.0%
Whitby	3.8%	4.2%	30.4%

Table 4 - Proposed Allocations (with 10% less equity) with Risk and Return Details

Outcome Category	Outcome Strategy	Allocation			Outcomes	
		Equity	Fixed Income	Cash	Strategy Return	Strategy Std Dev
Cash Plus	Cash			100%	0.9%	1.3%
	Cash Plus	0%	80%	20%	2.7%	2.6%
Stable Return	Stable Return	20%	70%	10%	3.5%	3.6%
Contingency	Contingency	50%	50%		4.6%	5.8%
	Asset mgt reserves	80%	20%		5.5%	8.3%
Target Date	Target Date 5-10 yrs	40%	60%		4.3%	5.1%
	Target Date 10+ yrs	65%	35%		5.1%	7.0%

	New Allocations		
	Return	Std Dev	Equity
Bracebridge	4.8%	6.4%	57.6%
Huntsville	3.3%	3.5%	26.9%
Innisfil	4.6%	5.8%	50.0%
Kenora	3.7%	3.9%	24.7%
Muskoka	3.7%	3.9%	25.1%
Whitby	3.7%	3.9%	25.4%

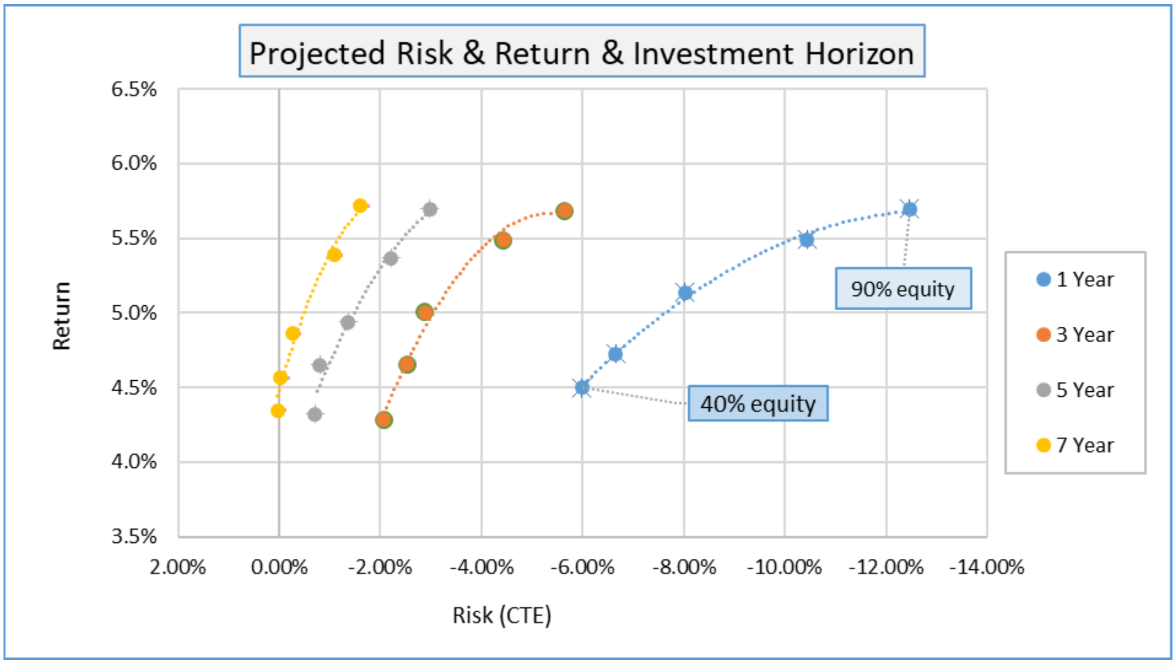
The efficient frontiers are concave; the slope diminishes as more risk is assumed. The tradeoff between risk and return is not constant – at higher return levels more risk needs to be assumed to increase return. That is, the Sharpe ratio diminishes as more risk assumed, so lowering the equity allocations will reduce risk more than it reduces return. Lowering equity weights by 10% will reduce standard deviations, but the impact is modest.

However, the standard deviation modelling above does not adequately account for the investment time horizons of each municipality. When examining risk, the holding period of investments is also highly relevant. This is not always immediately apparent when evaluating standard deviations. Evaluating risk based on holding period returns rather than one-year standard deviations provides context that allows the reader to more readily confirm that the risks associated with each allocation are appropriate and reflective of each municipality's risk tolerances.

Chart 1 shows the efficient frontiers generated under different risk, return, and holding period scenarios using a risk measure called Conditional Tail Expectation (CTE). 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).

For example, if the holding period is three years, rather than being evaluated based on a one-year basis, the returns are nearly identical, but the holding period risk, as measured by CTE is dramatically lower; the MNRI controlled and managed by the ONE JIB typically have long investment time horizons, therefore the risks assumed should, arguably, be evaluated based on a longer holding period return. As a result, the risks associated with the various outcomes, even with relatively heavy equity allocations, are appropriate considering the stated risk tolerances of the Founding Municipalities.

Chart 1 - Impact of Investment Horizon on Holding Period Risk and Return



5. Conclusion

Given the long-term nature of the funds being managed by ONE JIB, this detailed sensitivity analysis supports the allocations for investment outcomes found in the May 20, 2020 - ONE JIB Report #20-011 – Investment Outcomes and approved by ONE JIB.

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

REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer and
Colin Macdonald, Manager of Investments
Date: June 23, 2020
Re: Investment Report and Investment Plan – Town of Bracebridge
Report: 20-015

1. RECOMMENDATIONS

It is recommended that:

1. The Board approve Bracebridge's Investment Plan (Attachment 1)

2. The Chief Investment Officer notify the Board of any in-year changes to Bracebridge's Investment Policy Statement and any related implications for the Investment Plan

3. The Chief Investment Officer review the Investment Plan in Q1 2021 and present a revised Investment Plan for approval by Q2 2021

4. The Chief Investment Officer develop a performance report for Bracebridge Council for the Board's consideration by Q1 2021

2. SUMMARY

Bracebridge has agreed to be a Founding Municipality in the creation of the ONE Joint Investment Board (ONE JIB). As part of the process under the applicable provincial regulation, the Board must develop and approve an Investment Plan for the Town of Bracebridge.

Key Points:

- Bracebridge will initially allocate $5.6 million to the Prudent Investor Standard

- The Town is expecting to be able to contribute an additional $500,000 to $1 million annually for the next ten years

- Bracebridge does not anticipate any withdrawals during the next 10 years

- Expected annual returns based on the allocations in the proposed Investment Plan are in the range of 5.1%.

- Bracebridge's Investment Policy Statement (IPS) and Municipal Client Questionnaire (MCQ) were presented and received by the ONE JIB at its May 20, 2020 meeting. Details can be found in ONE JIB Report #20-011 -Investment Outcomes - Appendix 3.

- The Investment Plan includes a quick transition of funds to ONE JIB, as Bracebridge's contribution is mostly invested in the ONE Legal List Investment Program

The proposed investment allocations, which reflect consolidated holdings across ONE Investment outcomes are presented below:

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE Canadian Equity Fund	1,136,250	20.3
ONE Global Equity Fund	2,651,250	47.3
ONE Canadian Government Bond Fund	271,875	4.9
ONE Canadian Corporate Bond Fund	271,875	4.9
ONE Global Bond Fund	1,268,750	22.7
Total	**5,600,000**	**100.0**

Locked-In Investments	Estimated Value ($)
Lakeland Holdings Ltd. (LDC)	29,684,154

3. BACKGROUND

Council has approved the application of the Prudent Investor Standard to a portion of Bracebridge's investments

The Town's staff have worked with ONE staff and other Founding Municipalities to prepare the documentation and obtain the approvals needed to establish the ONE JIB. This included completing the Municipal Client Questionnaire and developing an Investment Policy Statement.

Council considered the transition to the Prudent Investor Standard on three occasions. On June 12, 2019, Council approved further due diligence to determine the best approach to move to the Prudent Investor Standard, including participation as a Founding Municipality in the establishment of the ONE JIB. On October 16, 2019, Council approved the development of an Investment Policy Statement and the preparation of documents to establish the ONE JIB with other Founding Municipalities. On December 18, 2019, Council approved its Investment Policy Statement, which permits investment under the Prudent Investor Standard, and authorized execution of the Initial Formation Agreement and the ONE JIB Agreement. Council also received for information the draft Investment Plan prepared by ONE staff.

Bracebridge's investment objective is long-term growth and returns in excess of inflation. The Town can assume an above average risk profile to achieve these objectives.

The Regulation requires municipalities to consider the following matters under the prudent investor regime:

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

Bracebridge's Investment Policy Statement verifies that the Town has taken these considerations into account in setting its investment objectives, and the Investment Plan provides further explanation.

The Town's overall investment objective is moderate growth at moderate levels of risk, resulting in above-inflation returns based on the Consumer Price Index. Returns will also need to consider the change in Non-Residential Construction Price Index, a measure of inflation that is also a consideration for the Town.

ONE JIB uses an outcome-based approach to translate municipal needs and goals into investment allocations. A draft of the Outcomes Framework was presented to Council for information at its December 18, 2019 meeting. Once the ONE JIB was legally constituted and able to deliberate the Outcomes Framework it was refined and approved May 20, 2020 (see ONE JIB Report #20-011 – Investment Outcomes). Table 1 below shows details of the ONE JIB approved Outcomes Framework, which classifies investments into four Outcome categories: Cash, Contingency, Stable Return and Target Date outcomes. The revised outcomes are in alignment with Bracebridge's investment objectives, risk profile and time frames. Bracebridge's Investment Plan assigns investment allocations based on the outcome mapping in Table 1. The allocations are reflective of the objectives, characteristics and investment horizon and risk tolerance of the Town. The characteristics of the Town's reserves, reserve funds or other balances were considered when building investment allocations in the Investment Plan.

Table 1 - Investment Objectives and Outcomes

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

Bracebridge - Local Distribution Company shareholder

Bracebridge has approximately $29.7M in shares in Lakeland Holdings Limited, the local distribution company (LDC).

The Investment Policy Statement recognizes this investment as Long-Term Funds (or MNRI) that fall under the Prudent Investor Standard. However, the Investment Policy Statement provides direction to the ONE JIB with respect to the treatment of these funds.

LDC shares are considered restricted, special assets and remain in the custody of the Town. The Town is actively involved in shareholder meetings and plans to vote its shares. The LDC shares are to be viewed as separate standalone investments and are not to be included in calculations of asset allocations.

4. ANALYSIS

Bracebridge has approximately $5.6 million in MNRI

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 finance pre-planned capital expenditures resulting in a balance of $5.6 million in MNRI.

The Town has used a time-based threshold of 18 months to define MNRI.

Under the Act, municipalities can only invest MNRI, whether they choose to invest in the legal list or under the Prudent Investor Standard. For the purpose of the Prudent Investor Standard, it is necessary to define MNRI within the Investment Policy Statement because control of the funds is delegated to an investment board. ONE Investment provided guidance on best practices in determining the definition of MNRI and the Town determined that 18 months was appropriate.

Bracebridge anticipates significant growth in its investments over the next ten years

After the 2020 drawdown, Bracebridge plans to rebuild its reserves. Capital reserves, which are mainly the target date reserves, are expected to grow by more than 5% annually from about $2.9 million in 2020 to $17 million by 2030. Other reserve levels 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. This implies a very long investment horizon which should allow the Town to assume an above average risk profile.

The Investment Plan contains an asset allocation and allocations to specific funds

The Investment Plan provides asset allocations according to Bracebridge's investment objectives and risk tolerance, as shown in Table 2. These allocations are based on the Town's Investment Policy Statement, which describes the objectives, risk tolerance, liquidity and investment horizon for the reserves that make up MNRI.

Table 2 - Asset Allocation

Outcome	Total Invested ($)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Contingency	2,750,000	49.1	-	40	60	100
Target Date 10+ Years	2,850,000	50.9	-	25	75	100
Total	5,600,000	100.0				

The Investment Plan then allocates these amounts to ONE Prudent Investment Program fund offerings, as shown in Table 3. Table 4 provides the same information in percentage, showing how the fund holdings are held within each of the Outcomes. Table 5 provides a summary of the allocations by fund.

Table 3 - Investment Mix (Amounts in $)

Outcome	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Contingency	495,000	1,155,000	165,000	165,000	770,000	2,750,000
Target Date 10+ Years	641,250	1,496,250	106,875	106,875	498,750	2,850,000
Total	**1,136,250**	**2,651,250**	**271,875**	**271,875**	**1,268,750**	**5,600,000**

Table 4 - Investment Mix (%)

Outcome	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Contingency	8.8%	20.6%	2.9%	2.9%	13.8%	49.1%
Target Date 10+ Years	11.5%	26.7%	1.9%	1.9%	8.9%	50.9%
Total	**20.3%**	**47.3%**	**4.9%**	**4.9%**	**22.7%**	**100.0%**

Table 5 - Summary of Allocations by Fund

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE Canadian Equity Fund	1,136,250	20.3
ONE Global Equity Fund	2,651,250	47.3
ONE Canadian Government Bond Fund	271,875	4.9
ONE Canadian Corporate Bond Fund	271,875	4.9
ONE Global Bond Fund	1,268,750	22.7
Total	**5,600,000**	**100.0**

The specific allocations to each one of the Outcomes noted above were based on input from the Investment Policy Statement and Municipal Client Questionnaire, as well as discussions with the Treasurer. The purpose and characteristics of each reserve and reserve account were mapped to each of these Outcomes, which determined the dollar amount assigned to each Outcome.

The risk profile of the allocations is above average, primarily due to the plan to rapidly rebuild reserve and reserve fund balances after the near-term drawdown. MNRI may double within 5 years, which reflects the financial flexibility of the Town.

The average annual expected return on Bracebridge's investments is approximately 5.1%

In its Municipal Client Questionnaire, Bracebridge expressed annual return expectations in the range of -5% to +5%.

The overall estimated annual return for the asset allocations and fund mix in the Investment Plan is 5.1%. The expected returns by investment objective (see May 20, 2020 -ONE JIB Report #20-010 – Fund Offerings and Investment Managers for detail on the basis of the investment projections) are:

- Contingency Outcome: 4.9%
- Target Date 10+ Year Outcome: 5.3%.

5. CONCLUSION

Bracebridge's Council has approved an Investment Policy Statement and other documentation to enable it to adopt the prudent investor standard and become a Founding Municipality for the ONE JIB.

The proposed Investment Plan is consistent with the Town's Investment Policy Statement. The proposed asset mix and fund allocations reflect the Town's investment objectives and risk preferences expressed in its Investment Policy Statement and Municipal Client Questionnaire.

As a result, the Investment Plan is appropriate for the Town's objectives, risk tolerance, time horizons and available MNRI.

Prepared by: Colin Macdonald, Manager of Investment Services and Keith Taylor, Chief Investment Officer
Approved for Submission by: Evelyn Foo, Chief Compliance Officer

Town of Bracebridge
(Town or Bracebridge)

Investment Plan

Date: July 2, 2020

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

148415452

Contents

1. Definitions

(Note that terms and definitions used in this Investment Plan have the same meaning as those defined in the Investment Policy Statement)

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

Agency Agreement: means the Agency Agreement dated May 31, 1999 as amended and restated on March 1, 2010, between CHUMS and LAS as Agent and each Eligible Investor (as defined therein) under which such Eligible Investor participates in the ONE Legal List Investment Program, as amended, supplemented or replaced from time to time.

Asset Allocation (Asset Mix): means the proportion of each asset class in a portfolio or allocation.

Asset Class: means 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: 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"). 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;

HISA: means the ONE High Interest Savings Account. This is an investment product created by ONE Investment that offers competitive interest rates on daily balances. It functions in a similar way as a bank account in that it pays interest and funds can be withdrawn on demand without triggering investment gains or losses.

In-Kind: means assets/securities instead of cash. In certain cases municipalities may transfer securities to ONE JIB that reflect a portion of their MNRI instead of remitting only cash to ONE JIB. As these securities mature ONE JIB would invest the proceeds into the investment Outcomes specified in the Investment Plan.

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

Long-Term Funds: means money not required immediately (MNRI) by Bracebridge.

Municipal Client Questionnaire: means 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: means a not-for-profit organization that will serve as an agent of ONE JIB to operationalize the investment activities of ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): means the joint board established by certain founding municipalities as a municipal services board under section 202 of the 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 July 2, 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.

ONE Legal List Investment Program: means the program for joint municipal investment in which municipalities and other eligible investors invest under the Agency Agreement.

ONE Prudent Investment Program: means the program for municipal investment in which a municipality has appointed ONE JIB as such municipality's Joint Investment Board and has entered into the ONE JIB Agreement.

Outcome: means in the context of the Investment Plan the same thing as 'solutions'. Investment Outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each municipal investor are intended to reflect the needs and circumstances of the municipality.

Prudent Investor Standard: means the standard requiring 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 ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

Short-Term Funds: means money that is required immediately (MRI) by a municipality. Bracebridge's IPS defines MRI as funds that are to be used to meet financial obligations within an eighteen (18) month period.

2. Purpose of Investment Plan

As required under the Act's prudent investor regime, this Investment Plan (Plan) establishes how ONE JIB will invest Bracebridge's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with Bracebridge's IPS adopted by Council on December 18, 2019 and is based on the information in the Municipal Client Questionnaire (MCQ). It was presented to ONE JIB at the May 20, 2020 meeting (see Report 20-011 – Appendix 3). 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.

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 reviews to monitor compliance with the Act and the Regulation in addition to the Town's IPS.

This Plan is dependent on clear communication between the Town, ONE JIB and ONE Investment regarding the Town's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs an MCQ as part of its annual review. It is the responsibility of the Town to update the MCQ on a timely basis and to ensure that ONE Investment is aware of any needs that are not addressed in the MCQ 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 the Town. The process for communicating changes in the MCQ, IPS and other issues is set out in Appendix A. The process for moving funds in or out of ONE Investment is outlined in Appendix E.

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4. Custodian

Except for Town-owned electricity assets, all investments under the control and management of ONE JIB shall be held for safekeeping by ONE Investment's custodian. Additionally, securities In-Kind will be under the control and management of ONE JIB but may be held for safekeeping by a custodian acceptable to ONE JIB.

5. Investment Goals and Objectives

Returns on investments have an impact on the Town's revenues, and therefore a longer-term impact on future years' budgets and are intended to 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 the Town'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 to spend as/if needed; and,

c. Funding target date projects, where the Town has an obligation for a specific project at a specific time

The Town has identified the following details in Table 1 of its investment objectives for its MNRI according to the classification scheme initially developed for ONE JIB.

Table 1 - Outcomes as Disclosed in Bracebridge's IPS

<table>
<tr><th>Reserve Classification</th><th>Objective</th><th>Risk Tolerance, Liquidity</th><th>Investment Horizon</th></tr>
<tr><td>Contingency</td><td>Contributions for unexpected events</td><td>Higher risk with emphasis on growth, liquid</td><td>Greater than 5 years</td></tr>
<tr><td>Stable Return</td><td>To generate stable returns to fund recurring needs</td><td>Moderate risk with emphasis on stable returns, liquid</td><td>3 years to 5 years</td></tr>
<tr><td rowspan="3">Target Date</td><td rowspan="2">Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements</td><td>Lower risk, liquid</td><td>18 months to 3 years</td></tr>
<tr><td>Moderate risk with emphasis on stable returns, liquid</td><td>3 years to 5 years</td></tr>
<tr><td>Contributions to asset management reserves</td><td>Higher risk with emphasis on growth, liquid</td><td>Greater than 5 years</td></tr>
</table>

The Town's investment needs described in its IPS provide Council's guidance to ONE JIB in determining investment allocations. Additional context from the MCQ and dialogue with the Treasurer were used to interpret the details in Table 1. This informs ONE JIB about the Town's current goals, objectives, circumstances and risk tolerance, and helps direct how investment allocations will be determined.

Once ONE JIB was legally constituted and able to consider the Outcomes Framework, the framework was refined and approved on May 20, 2020 (see ONE JIB Report #20-011 – Investment Outcomes). The approved Outcomes Framework differs somewhat from the Outcome mapping in Table 1 that was presented to Council. This Plan has interpreted the goals and objectives as disclosed by the Town within the context of the Outcome mapping in Table 2 below. The allocation of the Town's MNRI within this framework in Table 2 is consistent with the details as disclosed in the Town's IPS and MCQ.

Table 2 - ONE JIB Outcomes Framework

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

While individually the Town's accounts/reserves are expected to require liquidity, collectively they provide the Town with 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. However, at present all ONE Investment funds are designed to be highly liquid. Less liquid investments may become available through ONE Investment at a later date.

Additionally, details in the MCQ indicate that the Town does not anticipate a need to access funds that are identified as MNRI over the next 10 years and anticipates that its balances in MNRI will be increasing in future years. This indicates that the Town has flexibility that may allow it to invest with a relatively long time horizon.

6. Investment Allocations

6.1 Asset Allocations

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

The goals, objectives, constraints and circumstances of the Town are taken into consideration when assigning asset allocations for the Town using ONE Investment's Outcome-based approach. These decisions are informed by the requirement to comply with the Prudent Investor Standard as defined in the Act. The Prudent Investor 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 the Town'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.

In drafting this Plan, these current economic conditions and the possible effect on inflation/deflation have been considered as follows:

- On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic. Subsequently, the Province of Ontario declared a state of emergency on March 17, 2020. The financial impact of these events on municipalities is still to be determined. Examples could include increased cash flow requirements, decreased revenue or pressure for lower property tax rate increases.
- The COVID-19 pandemic has the potential to change the economic outlook and the capital markets outlook in ways that cannot be foreseen. This should not directly affect the risk profile of the Town or the implementation of this Plan.
- Prior to the COVID-19 pandemic, economic conditions have been characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. The global economy appeared to be in the later stage of an economic expansion with significant potential for deceleration of economic growth. The COVID-19 pandemic has clouded the outlook.
- The portions of MNRI that will be needed in the shorter term will be invested in investment strategies with very low risk and high liquidity (such as cash and short-term fixed income) given the economic uncertainty in the near-term. In the Town's current circumstances, all of its MNRI has a long-term investment horizon, but this may change over the coming years as the Town transfers additional money to ONE JIB as MNRI.
- The portions of MNRI that are not expected to be needed over the short-term (currently this represents all of MNRI) will be invested to take advantage of a longer-term investment horizon, when the current economic uncertainties will likely have subsided; the use of diversification to reduce volatility and investments in securities with a potential for higher returns such as equities and bonds is expected to achieve returns that outpace inflation.

Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Chief Investment Officer considers appropriate for the Town. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining an appropriate risk profile.

6.2 Account Structure

The amounts of MNRI, as disclosed in the Town's MCQ dated May 5, 2020, have been allocated into investment Outcome categories to provide guidance to ONE JIB when investing these monies.

In summary, the total allocation to each Outcome is shown in Table 3 below.

Table 3 - Bracebridge's Investment Outcomes

Outcome	Total Invested ($)	Portfolio Weight (%)
Contingency	2,750,000	49.1
Target Date 10+ Years	2,850,000	50.9
Total	**5,600,000**	**100.0**

Mixes of ONE Investment Prudent Investor Program funds and products appropriate for the Town's circumstances will be used for each Outcome. Descriptions of the ONE Investment Prudent Investor Program funds and the asset allocations for each solution are set out in Appendix B. The process of moving from the current investments to the target weights, both noted below, is outlined in the Transition Plan in Appendix D.

6.3 Contingency Outcome

The Town will need to generate long-term growth for funds within the Contingency Outcome. Contingency funds may be drawn upon to meet unexpected needs and infrequent events. Emphasis on the preservation of purchasing power / inflation was a key consideration expressed by the Town and therefore growth in value of the Town's investments is emphasized. Details of the allocation of the Contingency Outcome are shown in Table 4. Further detail about the Contingency Outcome allocations is described in Appendix B. These funds will be invested based on the asset mix set out in Table 4 and will be rebalanced to ensure a consistent risk profile – rebalancing is explained in more detail in section 9. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed. The initial allocation to the Contingency Outcome will be approximately $2.75 million.

Table 4 - Contingency Outcome

	% Weight			
Asset Class	**Min**	**Target**	**Max**	**Benchmark**
Equity	**55**	**60**	**65**	
ONE Canadian Equity Fund		18		S&P/TSX Composite Index
ONE Global Equity Fund		42		MSCI ACWI (All Country World Index)
Fixed Income	**35**	**40**	**45**	
ONE Canadian Government Bond Fund		6		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		28		Bloomberg Barclays Multiverse Index
Total		**100**		

Contingency Outcome returns and risk are discussed in section 6.6.

Benchmark: 18% x S&P/TSX Composite Total Return Index + 42% x MSCI ACWI + 6% x *blended benchmark* - Canadian Government Bonds +6% x *blended benchmark* - Canadian Corporate Bonds + 28% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.4 Target Date Outcome

Target Date Outcomes will be managed with the objective of providing for the return of principal, income and capital gains at a target date in the future. All income will be reinvested.

The Treasurer identified reserves, reserve accounts and other balances that would be appropriate for Target Date Outcomes. All of the balances and accounts assigned to Target Date Outcomes had a long time horizon. The Town stated in its MCQ that none of its MNRI will be required within 10 years, hence all its monies assigned to Target Date Outcomes were assigned to the Target Date 10+ Year Outcome. In total $2.85 million of MNRI will be allocated to this Target Date Outcome. Details of the allocation of the Target Date 10+ Year Outcome are shown in Table 5. Further detail about the Target Date Outcome allocations is described in Appendix B.

Table 5 - Target Date 10+ Year Outcome

	% Weight			
Asset Class	**Min**	**Target**	**Max**	**Benchmark**
Equity	**71**	**75**	**79**	
ONE Canadian Equity Fund		22.5		S&P/TSX Composite Index
ONE Global Equity Fund		52.5		MSCI ACWI (All Country World Index)
Fixed Income	**21**	**25**	**29**	
ONE Canadian Government Bond Fund		3.75		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		3.75		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		17.5		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 10+ Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 22.5% x S&P/TSX Composite Total Return Index + 52.5% x MSCI ACWI + 3.75% x *blended benchmark* - Canadian Government Bonds +3.75% x *blended benchmark* - Canadian Corporate Bonds + 17.5% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C.

6.5 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing under the Prudent Investor Standard. Table 6 below provides a projection of the expected annual returns for the Town's 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. They are presented for information purposes only and actual investment results may differ materially. The source of returns (recurring income vs capital gains) is not a factor that ONE JIB actively considers for these mandates. It is largely not relevant to municipal investors because they are not subject to taxes on investment returns.

Table 6 - Projected Annual Returns

Outcome	Expected Return	Allocation Weight (%)
Contingency	4.9%	49.1%
Target Date 10+ Years	5.3%	50.9%
Overall	**5.1%**	100.0%

* The projected overall Expected Return of the asset allocations for ONE Investment prudent investor offerings was evaluated by an external consultant, Aon. Their analysis includes a proprietary return measure that projects average annual expected returns via a Monte Carlo analysis. Actual returns may differ.

6.6 Other Accounts

The Town has no other accounts ONE JIB must consider.

7. Constraints

Besides those listed below, 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 may 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 not be used for speculative purposes except where the External Portfolio Managers use it in the underlying fund. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset (e.g., for currency or other hedging, to change portfolio duration or in covered call strategies).

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and investment pools (the ONE Investment Pools) used as building blocks in the asset allocation for each Outcome. These External Portfolio Managers are chosen and monitored using a rigorous 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 by ONE Investment. Each investment Outcome will have target weights assigned for each holding, which collectively represent the intended asset mix for the Outcome. Minimum and maximum weights will also be assigned for asset classes, and these weights will guide the rebalancing process. Should the weight deviate outside the minimum or maximum weights noted in Appendix B, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions will be completed as soon as reasonably viable, taking into account 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.

ONE Investment will rebalance all accounts to target weights twice annually based on fixed dates: April 15 and October 15 (or the following business day). Accounts that are within a 2% threshold of the intended targets will not be rebalanced.

10. Accommodating Cashflow Needs

This Plan is intended to be dynamic and responsive to the Town's changing needs. Once informed of changing needs in accordance with the ONE JIB Agreement, ONE JIB may need to revise allocations, deploy incoming monies or sell units of the investment pools accordingly. Income from investments will be automatically reinvested into the investment Outcomes where appropriate. The Town's cashflow needs are expected to be financed with the sale of units of the investment pools. Any fee discounts that apply to the Town are intended to be reinvested into the Contingency Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

The Town's investment in Lakeland Holdings Ltd., an LDC, has a strategic purpose beyond generating investment returns. While this investment is part of the responsibility of ONE JIB, it is subject to a restriction set out in the Town's IPS such that ONE JIB has agreed not to dispose of or deal with that investment without the Town's consent. Table 7 below describes the investment in Lakeland Holdings Ltd.

Table 7 - Bracebridge's LDC Holdings

Locked-In Investments	Estimated Value ($) as at December 31, 2019
Lakeland Holdings Ltd. (LDC)	**29,684,154**

11.2 Transitional Investments

MNRI that the Town will transfer the control and management of to ONE JIB will consist of available cash and the proceeds from the liquidation of the Town's ONE Investment Legal List Investment Program products.

The Town plans to sell some or all of the Town's ONE Investment Legal List Investment Program products. The proceeds of the sale will be given to ONE JIB as MNRI. More detail on transition planning is provided in Appendix D.

12. Comments by Chief Investment Officer

Certain qualitative factors were considered in assigning the investment allocations. The Town's MNRI is temporarily low due to pre-planned capital expenditures.

The Town has significant cashflow flexibility in coming years and anticipates that balances in MNRI may increase in excess of $500,000 per year for several years. The Town sees its current MNRI as very long-term in nature and does not contemplate a significant drawdown of its MNRI within the next 10 years. This indicates that the Town has the flexibility to invest for the long term and assume a somewhat higher risk profile to generate higher returns. At the time of writing, the recommended overall exposure to equity within the portfolios was at 68%, an appropriate level for the Town.

Appendix A: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in the Town'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;
- Revisions in MNRI;
- Desired end use of funds, especially if that is likely to affect the investment approach; and
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the MCQ on the ONE Investment website. Section 5.01 (c) of the ONE JIB Agreement requires that Participating Municipalities provide written notice to the Board Secretary of ONE JIB of any amendment or modification to its IPS. Written communication should be directed to the attention of the Chief Investment Officer at ONE@oneinvestment.ca and the ONE JIB Secretary at dkelly@oneinvestment.ca. They are considered received when ONE Investment provides a formal return email acknowledgement.

Appendix B: Description of ONE Investment Pools, Products and Outcomes

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 Class
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Cash
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity focused on Canadian Government bonds	Canadian short-term Fixed Income
ONE Canadian Corporate Bond Fund	MFS	Primarily in Canadian Corporate Bonds	Canadian Fixed Income
ONE Global Bond Fund	Manulife Investment Management	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	Mawer Investment Management	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian Capital	Canadian Equity with conservative investment approach	Canadian Equities

Investment Outcomes

The asset allocations for ONE Investment's Outcomes are detailed in the tables below. Rebalancing will be managed for these asset allocations as explained in this Plan. As asset mixes drift away from their intended target and converge on either the minimum or maximum ranges noted below, ONE Investment will rebalance the holdings to restore allocations to the intended asset mix. The Outcomes will also be rebalanced twice annually, as required, to ensure the allocations do not drift materially away from the intended targets. Note that these allocations target a maximum of 70% foreign exposure, and Canadian Bond exposure targets equal allocation to the ONE Canadian Government Bond Fund and the ONE Canadian Corporate Bond Fund.

Cash Outcome	% Weight		
	Min	Target	Max
ONE HISA	na	100	na
Total Cash		**100**	

Stable Return Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA	8	10	12	
Total Cash	**8**	**10**	12	
ONE Canadian Equity Fund		9		
ONE Global Equity Fund		21		
Total Equity	**26**	**30**	**34**	
ONE Canadian Government Bond Fund		9		1.6 – 3.6
ONE Canadian Corporate Bond Fund		9		3.0 – 6.9
ONE Global Bond Fund		42		2.0 – 6.0
Total Fixed Income	**55**	**60**	**65**	
Total Allocated		**100**		

Contingency Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		18		
ONE Global Equity Fund		42		
Total Equity	**55**	**60**	**65**	
ONE Canadian Government Bond Fund		6		1.6 – 3.6
ONE Canadian Corporate Bond Fund		6		3.0 – 6.9
ONE Global Bond Fund		28		2.0 – 6.0
Total Fixed Income	**35**	**40**	**45**	
Total Allocated		**100**		

Asset Management Reserve Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		27		
ONE Global Equity Fund		63		
Total Equity	**88**	**90**	**92**	
ONE Canadian Government Bond Fund		1.5		1.6 – 3.6
ONE Canadian Corporate Bond Fund		1.5		3.0 – 6.9
ONE Global Bond Fund		7		2.0 – 6.0
Total Fixed Income	**8**	**10**	**12**	
Total Allocated		**100**		

Target Date Outcomes:

Investments with target dates will be managed to reduce risk as the target date approaches. As time passes and the spending needs get closer, it is appropriate to reduce the amount of risk so that there is greater certainty that the funds will be available as needed. This means that reserves, reserve accounts and other balances that are assigned to target date allocation will be reassigned to a nearer dated Target Date Outcome as time passes. In this way as the spending needs grows nearer, the associated investment allocations will migrate to a lower risk Outcome.

	Target Date 3- 5 Years			Target Date 5-10 Years			Target Date 10+ Years		
Target Date Outcomes	% Weight			% Weight			% Weight		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE HISA		20			0			0	
Total Cash	**17**	**20**	**23**		**0**			**0**	
ONE Canadian Equity Fund		3			15			22.5	
ONE Global Equity Fund		7			35			52.5	
Total Equity	**8**	**10**	**12**	**45**	**50**	**55**	**71**	**75**	**79**
ONE Canadian Government Bond Fund		10.5			7.5			3.75	
ONE Canadian Corporate Bond Fund		10.5			7.5			3.75	
ONE Global Bond Fund		49			35			17.5	
Total Fixed Income	**66**	**70**	**74**	**45**	**50**	**55**	**21**	**25**	**29**
Total Allocated		**100**			**100**			**100**	

Appendix C: Performance Benchmarks for ONE Investment Funds

- The table below details the benchmarks to be used for the performance evaluation of the ONE Investment Pools.
- Blended benchmarks for the prudent investor Outcomes will be used in proportion to their target asset allocation weights.

ONE HISA	Bank of Canada 1 Year GIC Rate
ONE Canadian Equity Fund*	S&P/TSX Composite Total Return Index
ONE Global Equity Fund	MSCI ACWI (net)
ONE Canadian Government Bond Fund*	95% the DEX All Government Short Bond Index and 5% the DEX 91 Day T-Bill Index
ONE Canadian Corporate Bond Fund*	48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.
ONE Global Bond Fund	Bloomberg Barclays Multiverse Index

* Note 1: These funds have exposures that broadly parallel ONE Investment Legal List Program products and use the same performance benchmarks.

Appendix D: Transition Plan

Notwithstanding any provisions of this Plan, ONE JIB shall have the discretion to transition the Town's MNRI as constituted on the Prudent Effective Date to the target allocations set out in this Plan in such manner and within such time as ONE JIB considers to be prudent and reasonable in the circumstances. For greater certainty, it shall not be a contravention of this Plan if the actual allocations for the Town's MNRI are at variance from the targeted allocations set out herein, if the reason for such variation is that the transition plan has not been completed.

At the writing of this Plan (May 26, 2020), the Town's ONE Legal List Investment Program holdings included the following:

Current Holdings	Amount
ONE Government Bond Portfolio	$ 2,265,012
ONE Canadian Corporate Bond Portfolio	1,109,720
ONE Investment HISA	14,683,788
	$ 18,058,520

The objective is to move to the below allocations as quickly and cost efficiently as practicable. The settlement cycle for ONE Legal List Investment Program products and HISA is very short so no special considerations will be needed to accommodate the transfer of assets to ONE JIB. The Treasurer will liquidate 100% of the Town's holdings in the ONE Government Bond Portfolio and the ONE Canadian Corporate Bond Portfolio and the balance of MNRI to be transferred to the control and management of ONE JIB will be drawn from the ONE HISA balances.

ONE Investment will provide forms to the Town's Treasurer to facilitate the liquidation of ONE Legal List Investment Program products and HISA. These forms will be used to provide instructions in advance of July 2, 2020, and these instructions will be acted on in conjunction with trade instructions from ONE JIB. This is intended to streamline the transition process so all trading instructions can be planned in advance and coordinated so the Town's money is deployed into the ONE Prudent Investment Program offerings seamlessly. The trading instructions and forms for this transition process will differ from the routine process that municipalities used to liquidate ONE Legal List Investment Program holdings.

Below is a summary of the intended ONE Investment allocations. Table C-1 shows the allocations to the ONE Investment Outcomes while Table C-2 reflects the consolidated allocations by funds that is implied.

Table C- 1- Bracebridge's Outcomes

Outcome	Total Invested ($)	Portfolio Weight (%)
Contingency	2,750,000	49.1
Target Date 10+ Years	2,850,000	50.9
Total	**5,600,000**	**100.0**

Table C- 2 Bracebridge's Consolidated Holdings

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE Canadian Equity Fund	1,136,250	20.3
ONE Global Equity Fund	2,651,250	47.3
ONE Canadian Government Bond Fund	271,875	4.9
ONE Canadian Corporate Bond Fund	271,875	4.9
ONE Global Bond Fund	1,268,750	22.7
Total	**5,600,000**	**100.0**

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this Plan, subject to the rebalancing provisions of section 9, until instructed otherwise.

Appendix E: Transferring Funds

These procedures will be provided at a later date.

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REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer and
Colin Macdonald, Manager of Investments
Date: June 23, 2020
Re: Investment Report and Investment Plan – Town of Huntsville
Report: 20-016

1. RECOMMENDATIONS

It is recommended that:

1. The Board approve Huntsville's Investment Plan (Attachment 1)

2. The Board receive Huntsville's revised Municipal Client Questionnaire for information (Attachment 2)

3. The Chief Investment Officer notify the Board of any in-year changes to Huntsville's Investment Policy Statement and any related implications for the Investment Plan

4. The Chief Investment Officer review the Investment Plan in Q1 2021 and present a revised Investment Plan for approval by Q2 2021

5. The Chief Investment Officer develop a performance report for Huntsville Council for the Board's consideration by Q1 2021

2. SUMMARY

Huntsville has agreed to be a Founding Municipality in the creation of the ONE Joint Investment Board (ONE JIB). As part of the process under the applicable provincial regulation, the Board must develop and approve an Investment Plan for the Town of Huntsville.

Key Points:

- Huntsville will initially allocate $8.0 million to the Prudent Investor Standard

- Large projects will result in the Town drawing down its MNRI in the first few years. Reserves are expected to drop from $13.9 million in 2020 to $6.2 million by 2022.

- The Investment Plan provides for the expected liquidity needs with $2 million in the Cash Outcome and an additional $2 million in the Target Date 3-5 Year Outcome.

- Huntsville's Investment Policy Statement (IPS) and Municipal Client Questionnaire (MCQ) were presented and received by the ONE JIB at its May 20, 2020 meeting. Details can be found in ONE JIB Report #20-011 – Investment Outcomes - Appendix 4.

- The Town is expecting to be able to grow reserves by 15% annually.

- Uncertainty around facility upgrade costs means the Town places a higher priority on liquidity in the short-term (< 5 years)

- Expected annual returns based on the allocations in the proposed Investment Plan are projected to be 3.5%.

- The Investment Plan includes a quick transition of funds to ONE JIB, as Huntsville's contribution is mostly invested in a ONE Legal List product and available cash.

The proposed investment allocations, which reflect consolidated holdings across ONE Investment outcomes are presented below:

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	2,400,000	30.0
ONE Canadian Equity Fund	825,000	10.3
ONE Global Equity Fund	1,925,000	24.1
ONE Canadian Government Bond Fund	427,500	5.3
ONE Canadian Corporate Bond Fund	427,500	5.3
ONE Global Bond Fund	1,995,000	24.9
Total	8,000,000	100.0

Locked-In Investments	Estimated Value ($)
Lakeland Holdings Ltd. (LDC)	11,749,000

3. BACKGROUND

Council has approved the application of the Prudent Investor Standard to a portion of Huntsville's investments

The Town's staff have worked with ONE staff and other Founding Municipalities to prepare the documentation and obtain the approvals needed to establish the ONE JIB. This included completing the Municipal Client Questionnaire and developing an Investment Policy Statement.

Council considered the transition to the prudent investor standard on three occasions. On June 24, 2019, Council approved further due diligence to determine the best approach to move to the Prudent Investor Standard, including participation as a founding member in the establishment of the ONE JIB. On November 12, 2019, Council approved the development of an Investment Policy Statement and the preparation of documents to establish the ONE JIB with other Founding Municipalities. On December 17, 2019, Council approved its Investment Policy Statement, which permits investment under the Prudent Investor Standard. On March 17, 2020, Council authorized execution of the Initial Formation Agreement and the ONE JIB Agreement. Council also received for information the draft Investment Plan prepared by ONE staff.

Huntsville's investment objective is to generate long-term growth, targeting returns in excess of inflation. The Town needs a relatively conservative risk profile to accommodate known near-term capital spending

The Regulation requires municipalities to consider the following matters under the prudent investor regime:

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

Huntsville's Investment Policy Statement verifies that the Town has taken these considerations into account in setting its investment objectives, and the Investment Plan provides further explanation.

The Town's overall investment objective is moderate growth with relatively conservative levels of risk, resulting in above-inflation returns.

ONE JIB uses an outcome-based approach to translate municipal needs and goals into investment allocations. A draft of the Outcomes Framework was presented to Council for information at its December 18, 2019 meeting. Once the ONE JIB was legally constituted and able to deliberate the Outcomes Framework, it was refined and approved May 20, 2020 (see ONE JIB Report #20-011 - Investment Outcomes – Appendix 4). Table 1 below shows details of the ONE JIB approved Outcomes Framework, which classifies investments into four Outcome categories: Cash, Contingency, Stable Return and Target Date outcomes. The revised outcomes are in alignment with Huntsville's investment objectives, risk profile and time frames. Huntsville's Investment Plan assigns investment allocation based on the outcome mapping in Table 1. The allocations are reflective of the objectives, characteristics and investment horizon and risk tolerance of the Town. The characteristics of the Town's reserves, reserve funds or other balances were considered when building investment allocations in the Investment Plan.

Table 1 - Investment Objectives and Outcomes

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

Huntsville holds shares in a Local Distribution Company

Huntsville has approximately $11.75 million in shares in Lakeland Holdings Limited, the local distribution company (LDC).

The Investment Policy Statement recognizes this investment as Long-Term Funds (or MNRI) that fall under the Prudent Investor Standard. However, the Investment Policy Statement provides direction to the ONE JIB with respect to the treatment of these funds.

LDC shares are considered restricted, special assets and remain in the custody of the Town. The Town is actively involved in shareholder meetings and plans to vote its shares. The LDC shares are to be viewed as separate standalone investments and are not to be included in calculations of asset allocations.

4. ANALYSIS

Huntsville has approximately $8.0 million in MNRI

At the end of 2019, the Town had reserves and reserve funds totalling approximately $12.1 million but has seen that depleted to $10.7 million more quickly than originally anticipated. In its initial assessment, Huntsville had categorized $10.0 million as MNRI, but revised that amount down to $8 million in May 2020. While the Town is planning to grow their reserves by approximately 15 percent per year, large projects in the short term will see reserves decline slightly, before they begin growing again in about 5 years.

The Town has used a time-based threshold of 18 months to define money not immediately required

Under the Act, municipalities can only invest MNRI, whether they choose to invest in the legal list or under the prudent investor standard. For the purpose of the Prudent Investor Standard, it is necessary to define MNRI within the Investment Policy Statement because control of the funds is delegated to an investment board. ONE Investment provided guidance on best practices in determining the definition of MNRI and the Town determined that 18 months was appropriate.

Huntsville anticipates an initial drop in MNRI, followed by consistent growth in its investments over the next ten years

MNRI is expected to drop from $8 million in 2020 to approximately $6.2 million in 2022, and then increase, ultimately reaching approximately $23.5 million by 2028.

Liquidity is a priority due to uncertainty regarding costs of impending capital expenditures

There is considerable uncertainty about the cost of pre-planned capital expenditures. Therefore, the plan will highlight liquidity as a key consideration when building the investment allocations to accommodate for near-term spending needs.

The Investment Plan contains an asset allocation and allocations to specific funds

The Investment Plan provides asset allocations according to Huntsville's investment objectives and risk tolerance, as shown in Table 2. These allocations are based on the Town's Investment Policy Statement and MCQ, which describe the objectives, risk tolerance, liquidity and investment horizon for the reserves that make up MNRI.

Table 2 - Asset Allocation

Outcome	Total Invested ($)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Cash	2,000,000	25.0	100	-	-	100
Contingency	3,000,000	37.5	-	40	60	100
Target Date 3-5 yrs	2,000,000	25.0	20	70	10	100
Target Date 10+ Years	1,000,000	12.5	-	25	75	100
Total	**8,000,000**	**100.0**				

The Investment Plan then allocates these amounts to ONE Investment's fund offerings, as shown in Table 3. Table 4 provides the same information in percentage, showing the fund associated with each of the outcomes. Table 5 provides a summary of the allocations by fund.

Table 3 - Investment Mix (Amounts in $)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Cash	2,000,000	-	-	-	-	-	2,000,000
Contingency	-	540,000	1,260,000	180,000	180,000	840,000	3,000,000
Target Date 3-5 yrs	400,000	60,000	140,000	210,000	210,000	980,000	2,000,000
Target Date 10+ Years	-	225,000	525,000	37,500	37,500	175,000	1,000,000
Total	**2,400,000**	**825,000**	**1,925,000**	**427,500**	**427,500**	**1,995,000**	**8,000,000**

Table 4 - Investment Mix (%)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Cash	25.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%
Contingency	0.0%	6.8%	15.8%	2.3%	2.3%	10.5%	37.5%
Target Date 3-5 yrs	5.0%	0.8%	1.8%	2.6%	2.6%	12.3%	25.0%
Target Date 10+ Years	0.0%	2.8%	6.6%	0.5%	0.5%	2.2%	12.5%
Total	**30.0%**	**10.3%**	**24.1%**	**5.3%**	**5.3%**	**24.9%**	**100.0%**

Table 5 - Summary of Allocations by Fund

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	2,400,000	30.0
ONE Canadian Equity Fund	825,000	10.3
ONE Global Equity Fund	1,925,000	24.1
ONE Canadian Government Bond Fund	427,500	5.3
ONE Canadian Corporate Bond Fund	427,500	5.3
ONE Global Bond Fund	1,995,000	24.9
Total	8,000,000	100.0

The specific allocations to each one of the Outcomes noted above were based on input from the Investment Policy Statement and the Municipal Client Questionnaire, as well as discussions with the Treasurer. The purpose and characteristics of each reserve and reserve account were mapped to each of these outcomes, which determined the dollar amount assigned to each outcome.

The allocations are relatively conservative primarily due to the Town's desire for liquidity in case a portion of MNRI is needed for capital projects over the next few years. As these nearer term spending needs are addressed, the risk profile of the Town may need to be revisited.

The average annualized expected return on Huntsville's investments is approximately 3.5%

In its Municipal Client Questionnaire, Huntsville expressed annual return expectations in the range of -5% to +5%.

The overall estimated annual return for the asset allocations and fund mix in the Investment Plan is 3.5%. The expected returns by investment objective (see May 20, 2020 - ONE JIB Report # 20-010 Fund Offerings and Investment Managers for details of the investment projections) are:

- Cash Outcome 0.9%
- Contingency: 4.9%
- Target Date 3-5 Year Outcome: 3.0
- Target Date 10+ Year Outcome: 5.3%
-

5. CONCLUSION

Huntsville's Council has approved an Investment Policy Statement and other documentation to enable it to adopt the Prudent Investor Standard and become a founding municipality for the ONE JIB.

The proposed Investment Plan is consistent with the Town's Investment Policy Statement. The proposed asset mix and fund allocations reflect the Town's investment objectives and risk preferences expressed in its Investment Policy Statement and Municipal Client Questionnaire.

Prepared by: Colin Macdonald, Manager of Investment Services and Keith Taylor, Chief Investment Officer

Approved for Submission by: Evelyn Foo, Chief Compliance Officer

Town of Huntsville
(Town or Huntsville)

Investment Plan

Date: July 2, 2020

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Toronto Ontario M5H 3C6 Canada

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Contents

1. Definitions

(Note that terms and definitions used in this Investment Plan have the same meaning as those defined in the Investment Policy Statement)

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

Agency Agreement: means the Agency Agreement dated May 31, 1999 as amended and restated on March 1, 2010, between CHUMS and LAS as Agent and each Eligible Investor (as defined therein) under which such Eligible Investor participates in the ONE Legal List Investment Program, as amended, supplemented or replaced from time to time.

Asset Allocation (Asset Mix): means the proportion of each asset class in a portfolio or allocation.

Asset Class: means 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: 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"). 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;

HISA: means the ONE High Interest Savings Account. This is an investment product created by ONE Investment that offers competitive interest rates on daily balances. It functions in a similar way as a bank account in that it pays interest and funds can be withdrawn on demand without triggering investment gains or losses.

In-Kind: means assets/securities instead of cash. In certain cases, municipalities may transfer securities to ONE JIB that reflect a portion of their MNRI instead of remitting only cash to ONE JIB. As these securities mature ONE JIB would invest the proceeds into the investment Outcomes specified in the Investment Plan.

Investment Policy Statement (IPS): means the investment policy adopted by Council and updated annually. It describes 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 investment objectives and risk tolerances.

Long-Term Funds: means money not required immediately (MNRI) by Huntsville.

Municipal Client Questionnaire: means 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: means a not-for-profit organization that will serve as an agent of ONE JIB to operationalize the investment activities of ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): means the joint board established by certain founding municipalities as a municipal services board under section 202 of the 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 July 2, 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.

ONE Legal List Investment Program: means the program for joint municipal investment in which municipalities and other eligible investors invest under the Agency Agreement.

ONE Prudent Investment Program: means the program for municipal investment in which a municipality has appointed ONE JIB as such municipality's Joint Investment Board and has entered into the ONE JIB Agreement.

Outcome: means in the context of the Investment Plan the same thing as 'solutions'. Investment Outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each municipal investor are intended to reflect the needs and circumstances of the municipality.

Prudent Investor Standard: means the standard requiring 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 ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

Short-Term Funds: means money that is required immediately (MRI) by a municipality. Huntsville's IPS defines MRI as funds that are to be used to meet financial obligations within a twenty-four (24) month period.

2. Purpose of Investment Plan

As required under the Act's prudent investor regime, this Investment Plan (Plan) establishes how ONE JIB will invest Huntsville's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with Huntsville's IPS adopted by Council on December 17, 2019 and is based on the information in the Municipal Client Questionnaire (MCQ) dated May 28, 2020 attached as Supplementary Attachment (1) to this report. 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.

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 reviews to monitor compliance with the Act and the Regulation in addition to Huntsville's IPS.

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 an MCQ as part of its annual review. It is the responsibility of Huntsville to update the MCQ on a timely basis and to ensure that ONE Investment is aware of any needs that are not addressed in the MCQ 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 MCQ, IPS and other issues is set out in Appendix A. The process for moving funds in or out of ONE Investment is outlined in Appendix E.

4. Custodian

Except for Town-owned electricity assets, all investments under the control and management of ONE JIB shall be held for safekeeping by ONE Investment's custodian. Additionally, securities In-Kind will be under the control and management of ONE JIB but may be held for safekeeping by a custodian acceptable to ONE JIB.

5. Investment Goals and Objectives

Returns on investments have an impact on Huntsville's revenues, and therefore a longer-term impact on future years' budgets and are intended to 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;
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available to spend as/if needed; and,
c. Funding target date projects, where Huntsville has an obligation for a specific project at a specific time

Huntsville has identified the following details in Table 1 of its investment objectives for its MNRI according to the classification scheme initially developed for ONE JIB.

Table 1 - Outcomes as Disclosed in Huntsville's IPS

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk tolerance, 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

Huntsville's investment needs described in its IPS provide Council's guidance to ONE JIB in determining investment allocations. Additional context from the MCQ and dialogue with the Treasurer were used to interpret the details in Table 1. This informs the ONE JIB about the Town's current goals, objectives, circumstances and risk tolerance, and helps direct how investment allocations will be determined.

Once ONE JIB was legally constituted and able to consider the Outcomes Framework, the framework was refined and approved on May 20, 2020 (see ONE JIB Report #20-011). The approved Outcomes Framework differs somewhat from the Outcome mapping in Table 1 that was presented to Council. This Plan has interpreted the goals and objectives as disclosed by the Town within the context of the Outcome mapping in Table 2 below. The allocation of the Town's MNRI within this framework in Table 2 is consistent with the details as disclosed in the Town's IPS and MCQ.

Table 2 - ONE JIB Outcome Framework

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

While individually Huntsville's accounts/reserves are expected to require liquidity, collectively they provide the Town with 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. However, at present all ONE Investment funds are designed to be highly liquid. Less liquid investments may become available through ONE Investment at a later date.

The Town's MNRI balances are not expected to remain stable and the Town expects to significantly draw down the balances through 2022 to improve municipal facilities and upgrade/expand the fleet (i.e. snow removal trucks). The Town anticipates that MNRI will start increasing thereafter. There is considerable uncertainty about the cost of upgrading the pool facilities. Therefore, the plan will highlight liquidity as a key consideration when building the investment allocations to accommodate for these nearer term spending needs.

6. Investment Allocations

6.1 Asset Allocations

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

The goals, objectives, constraints and circumstances of the Town are taken into consideration when assigning asset allocations for the Town using ONE Investment's Outcome-based approach. These decisions are informed by the requirement to comply with the Prudent Investor Standard as defined in the Act. The Prudent Investor 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 the Town'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.

In drafting this Plan, these current economic conditions and the possible effect on inflation/deflation have been considered as follows:

- On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic. Subsequently, the Province of Ontario declared a state of emergency on March 17, 2020. The financial impact of these events on municipalities is still to be determined. Examples could include increased cash flow requirements, decreased revenue or pressure for lower property tax rate increases.
- The COVID-19 pandemic has the potential to change the economic outlook and the capital markets outlook in ways that cannot be foreseen. This should not directly affect the risk profile of the Town or the implementation of this Plan.
- Prior to the COVID-19 pandemic, economic conditions have been characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. The global economy appeared to be in the later stage of an economic expansion with significant potential for deceleration of economic growth. The COVID-19 pandemic has clouded the outlook.
- The portions of MNRI that will be needed in the shorter term will be invested in investment strategies with very low risk and high liquidity (such as cash and short-term fixed income) given the economic uncertainty in the near-term.
- The portions of MNRI that are not expected to be needed over the short-term will be invested to take advantage of a longer-term investment horizon, when the current economic uncertainties will likely have subsided; the use of diversification to reduce volatility and investments in securities with a potential for higher returns such as equities and bonds is expected to achieve returns that outpace inflation.

Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Chief Investment Officer considers appropriate for the Town. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining an appropriate risk profile.

6.2 Account Structure

The amounts of MNRI, as disclosed in Huntsville's MCQ dated May 28, 2020, have been allocated into investment Outcome categories to provide guidance to ONE JIB when investing these monies.

In summary, the total allocation to each Outcome is shown in Table 3 below.

Table 3 - Huntsville's Investment Outcomes

Outcome	Total Invested ($)	Portfolio Weight (%)
Cash	2,000,000	25.0
Contingency	3,000,000	37.5
Target Date 3-5 yrs	2,000,000	25.0
Target Date 10+ Years	1,000,000	12.5
Total	**8,000,000**	**100.0**

Mixes of ONE Investment Prudent Investor Program funds and products appropriate for Huntsville's circumstances will be used for each Outcome. Descriptions of the ONE Investment Prudent Investor Program funds and the asset allocations for each solution are shown in Appendix B.

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

6.3 Cash Outcome

Cash allocations are appropriate for relatively short-term funding needs of the Town. If the funds are anticipated to be drawn down within three years, it is most appropriate to invest these monies such that there is minimal potential for capital loss. Longer term investments are able to assume more risk and potentially absorb capital loss as there is ample time for investment growth to allow the investment value to recover. Monies in the Cash Outcome do not have this flexibility and will be invested in the ONE HISA which has a very remote possibility for loss of capital, which helps ensure the funds will be available when needed. Huntsville has approximately $2 million that will be allocated to the Cash Outcome. Details of the allocation of the Cash Outcome are found in Table 4. Further detail about the Cash Outcome allocations can also be found in Appendix B. Monies in the Cash Outcome are expected to be reclassified as MRI over the next few years. These monies will be utilized to fund near term projects including the Streetscape project which involves a redesigning and improvements of the Town's main street and downtown area. All interest earned in the Cash Outcome will be reinvested in this Outcome.

Table 4 - Cash Outcome

	% Weight			
Asset Class	**Min**	**Target**	**Max**	**Benchmark**
Cash	**100**	**100**	**100**	
ONE HISA		100		Bank of Canada 1 Year GIC Rate
Total		**100**		

Cash Outcome returns and risk are discussed in section 6.6.

Benchmark: Bank of Canada 1 Year GIC Rate. There is no active management involved with HISA (High Interest Savings Account) balances.

6.4 Contingency Outcome

Huntsville will need to generate long-term growth for funds within the Contingency Outcome. Contingency funds may be drawn upon to meet unexpected needs and infrequent events. Emphasis on the preservation of purchasing power is a key consideration, and therefore growth in the value of the Town's investments is emphasized. Details of the allocation of the Contingency Outcome are shown in Table 5. Further detail about the Contingency Outcome allocations can also be found in Appendix B. These funds will be invested according to the asset mix set out in Table 5 and will be rebalanced to ensure a consistent risk profile – rebalancing is explained in more detail in section 9. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed. The initial allocation to the Contingency Outcome will be $ 3.0 million.

Table 5 - Contingency Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Equity	**55**	**60**	**65**	
ONE Canadian Equity Fund		18		S&P/TSX Composite Index
ONE Global Equity Fund		42		MSCI ACWI (All Country World Index)
Fixed Income	**35**	**40**	**45**	
ONE Canadian Government Bond Fund		6		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		28		Bloomberg Barclays Multiverse Index
Total		**100**		

Contingency Outcome returns and risk are discussed in section 6.6.

Benchmark: 18% x S&P/TSX Composite Total Return Index + 42% x MSCI ACWI + 6% x *blended benchmark* - Canadian Government Bonds +6% x *blended benchmark* - Canadian Corporate Bonds + 28% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.5 Target Date Outcome

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 of the pre-planned capital expenditures currently have a reasonable amount of certainty to the actual cost today, other capital expenditures will continue to have some uncertainty until work is tendered. The MCQ identifies that 35% of MNRI will be spent in the next two to five year time frame, with the major portion of this spending occurring in or before 2023. Due to the anticipated significant drawdown over the next few years an allocation of $2 million has been allocated to the Cash Outcome, as noted above, and an additional $2 million of MNRI has been assigned to the Target Date 3-5 Year Outcome. These funds should provide sufficient liquidity for the Town to utilize on these large relatively near-term projects. Details of the allocation of the Target Date 3-5 Year Outcome are shown in Table 6 below. Due to the relatively short-term time horizon, the monies invested in the Target Date 3-5 Year Outcome will attempt to mitigate the potential for capital loss by investing primarily in fixed income and cash-like investments. This Outcome has a small allocation to equity investments to enhance the growth potential. It is anticipated the entire balance will be drawn down in coming years to pay for planned expenditures.

Table 6 - Target Date 3-5 Year Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Cash	**17**	**20**	**23**	
ONE HISA		20		Bank of Canada 1 Year GIC Rate
Equity	**8**	**10**	**12**	
ONE Canadian Equity Fund		3		S&P/TSX Composite Index
ONE Global Equity Fund		7		MSCI ACWI (All Country World Index)
Fixed Income	**66**	**70**	**74**	
ONE Canadian Government Bond Fund		10.5		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		10.5		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		49		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 3 to 5 Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 20% Bank of Canada 1 Year GIC Rate + 3% x S&P/TSX Composite Total Return Index + 7% x MSCI ACWI + 10.5% x *blended benchmark* - Canadian Government Bonds +10.5% x *blended benchmark* - Canadian Corporate Bonds + 49% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

The remainder of monies to be invested in Target Date Outcomes will be invested in the Target Date 10+ Year Outcome, to reflect reserves for longer term capital projects. This Target Date Outcome is intended to provide growth for monies invested, which will help preserve the purchasing power for monies invested and potentially allow longer term capital projects to be partially funded out of investment returns. The need for investment returns to at least match inflation is a key consideration for monies allocated to this Outcome. Details of the allocation of the Target Date 10+ Year Outcome are shown in Table 7. The emphasis on growth in investments means that this Target Date Outcome has a meaningful allocation to equities. More details about the Target Date Outcomes are detailed in Appendix B.

Table 7 - Target Date 10+ Year Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Equity	**71**	**75**	**79**	
ONE Canadian Equity Fund		22.5		S&P/TSX Composite Index
ONE Global Equity Fund		52.5		MSCI ACWI (All Country World Index)
Fixed Income	**21**	**25**	**29**	
ONE Canadian Government Bond Fund		3.75		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		3.75		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		17.5		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 10+ Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 22.5% x S&P/TSX Composite Total Return Index + 52.5% x MSCI ACWI + 3.75% x *blended benchmark* - Canadian Government Bonds +3.75% x *blended benchmark* - Canadian Corporate Bonds + 17.5% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C.

6.6 Projected Investment Returns

The prospect for improved returns with acceptable levels of investment risk is a key consideration for any municipality investing under the Prudent Investor Standard. Table 8 below provides a projection of the annual returns for each of Huntsville's 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. They are presented for information purposes only, and actual investment results may differ materially. The source of returns (recurring income vs capital gains) is not a factor that ONE JIB actively considers for these mandates. It is largely not relevant to municipal investors because they are not subject to taxes on investment returns.

Table 8 - Projected Annual Returns

Outcome	Expected Return	Allocation Weight (%)
Cash	0.9%	25.0%
Contingency	4.9%	37.5%
Target Date 3-5 yrs	3.0%	25.0%
Target Date 10+ Years	5.3%	12.5%
Overall	**3.5%**	**100.0%**

* The projected overall Expected Return of the asset allocations for ONE Investment prudent investor offerings was evaluated by an external consultant, Aon. Their analysis includes a proprietary return measure that projects average annual expected returns via a Monte Carlo analysis. Actual returns may differ.

6.7 Other Accounts

The Town has no other accounts ONE JIB must consider.

7. Constraints

Besides those listed below, 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 may 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 not be used for speculative purposes except where the External Portfolio Managers use it in the underlying fund. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset (e.g., for currency or other hedging, to change portfolio duration or in covered call strategies).

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and investment pools (the ONE Investment Pools) used as building blocks in the asset allocation for each Outcome. These External Portfolio Managers are chosen and monitored using a rigorous 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 by ONE Investment. Each investment Outcome will have target weights assigned for each holding, which collectively represent the intended asset mix for the Outcome. Minimum and maximum weights will also be assigned for asset classes, and these weights will guide the rebalancing process. Should the weight deviate outside the minimum or maximum weights noted in Appendix B, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions will be completed as soon as reasonably viable, taking into account 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.

ONE Investment will rebalance all accounts to target weights twice annually based on fixed dates: April 15 and October 15 (or the following business day). Accounts that are within a 2% threshold of the intended targets will not be rebalanced.

10. Accommodating Cashflow Needs

This Plan is intended to be dynamic and responsive to changing needs. Once informed of changing needs in accordance with the ONE JIB Agreement, ONE JIB may need to revise allocations, deploy incoming monies or sell units of the investment pools accordingly. Income from investments will be automatically reinvested into the investment Outcomes where appropriate. Huntsville's cashflow needs are expected to be financed with the sale of units of the investment pools. Any fee discounts that apply to Huntsville are intended to be reinvested into the Cash Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

Huntsville's investment in Lakeland Holdings Inc., a LDC, has a strategic purpose beyond generating investment returns. While this investment is part of the responsibility of ONE JIB, it is subject to a restriction set out in the Town's IPS such that ONE JIB has agreed not to dispose of or deal with that investment without the Town's consent. Table 9 below describes the investment in Lakeland Holdings Inc..

Table 9 – Huntsville's LDC Holdings

Investment	Value of Investment ($)
Lakeland Holdings Inc shares	11,749,000

11.2 Transitional Investments

MNRI that Huntsville will transfer to the control and management of to ONE JIB will consist of available cash and proceeds from the liquidation of the Town's ONE Investment Legal List Investment Program products.

The Town plans to sell some or all of the Town's ONE Investment Legal List Program products. The proceeds of sale will be given to ONE JIB as MNRI. More detail on transition planning is provided in Appendix D.

12. Comments by Chief Investment Officer

Certain qualitative factors were considered in assigning the investment allocations. Huntsville has identified significant spending needs over the next few years. 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. $2 Million of MNRI will be invested in the Cash Outcome to provide liquidity as needed within the next 3 years and an additional $2 million in MNRI will be deployed into the Target Date 3-5 Year Outcome to provide additional funding for known near term spending needs in Huntsville.

Monies invested in the Contingency Outcome totalling $3 million have more flexibility to assume risk due to the longer time horizon involved. Additionally, $1 million will be deployed into the Target Date 10+ Year Outcome to fund long-term capital projects. Due to the long time horizon this Outcome will also be able to assume higher risk, and potentially achieve higher investment returns. After spending on the large near-term projects is completed, it is expected that the Town will have sufficient cashflow to start rebuilding balances in MNRI. At that point, with these major commitments completed, Huntsville's investments will be able to assume a longer time horizon and assume a higher level of overall risk. 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 34.4%, which is an appropriate level for the Town considering the shorter-term liquidity needs.

Appendix A: 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;
- Revisions in MNRI;
- Desired end use of funds, especially if that is likely to affect the investment approach; and
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the MCQ on the ONE Investment website. Section 5.01 (c) of the ONE JIB Agreement requires that Participating Municipalities provide written notice to the Board Secretary of ONE JIB of any amendment or modification to its IPS. Written communication should be directed to the attention of the Chief Investment Officer at ONE@oneinvestment.ca and the ONE JIB Secretary at dkelly@oneinvestment.ca. They are considered received when ONE Investment provides a formal return email acknowledgement.

Appendix B: Description of ONE Investment Pools, Products and Outcomes

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 Class
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Cash
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity focused on Canadian Government bonds	Canadian short-term Fixed Income
ONE Canadian Corporate Bond Fund	MFS	Primarily in Canadian Corporate Bonds	Canadian Fixed Income
ONE Global Bond Fund	Manulife Investment Management	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	Mawer Investment Management	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian Capital	Canadian Equity with conservative investment approach	Canadian Equities

Investment Outcomes

The asset allocations for ONE Investment's Outcomes are detailed in the tables below. Rebalancing will be managed for these asset allocations as explained in this Plan. As asset mixes drift away from their intended target and converge on either the minimum or maximum ranges noted below, ONE Investment will rebalance the holdings to restore allocations to the intended asset mix. The Outcomes will also be rebalanced twice annually, as required, to ensure the allocations do not drift materially away from the intended targets. Note that these allocations target a maximum of 70% foreign exposure, and Canadian Bond exposure targets equal allocation to the ONE Canadian Government Bond Fund and the ONE Canadian Corporate Bond Fund.

Cash Outcome	% Weight Min	% Weight Target	% Weight Max
ONE HISA	na	100	na
Total Cash		**100**	

Stable Return Outcome	% Weight Min	% Weight Target	% Weight Max	Duration (Years)
ONE HISA	8	10	12	
Total Cash	**8**	**10**	12	
ONE Canadian Equity Fund		9		
ONE Global Equity Fund		21		
Total Equity	**26**	**30**	**34**	
ONE Canadian Government Bond Fund		9		1.6 – 3.6
ONE Canadian Corporate Bond Fund		9		3.0 – 6.9
ONE Global Bond Fund		42		2.0 – 6.0
Total Fixed Income	**55**	**60**	**65**	
Total Allocated		**100**		

Contingency Outcome	% Weight Min	% Weight Target	% Weight Max	Duration (Years)
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		18		
ONE Global Equity Fund		42		
Total Equity	**55**	**60**	**65**	
ONE Canadian Government Bond Fund		6		1.6 – 3.6
ONE Canadian Corporate Bond Fund		6		3.0 – 6.9
ONE Global Bond Fund		28		2.0 – 6.0
Total Fixed Income	**35**	**40**	**45**	
Total Allocated		**100**		

Asset Management Reserve Outcome	% Weight Min	% Weight Target	% Weight Max	Duration (Years)
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		27		
ONE Global Equity Fund		63		
Total Equity	**88**	**90**	**92**	
ONE Canadian Government Bond Fund		1.5		1.6 – 3.6
ONE Canadian Corporate Bond Fund		1.5		3.0 – 6.9
ONE Global Bond Fund		7		2.0 – 6.0
Total Fixed Income	**8**	**10**	**12**	
Total Allocated		**100**		

Target Date Outcomes:

Investments with target dates will be managed to reduce risk as the target date approaches. As time passes and the spending needs get closer, it is appropriate to reduce the amount of risk so that there is greater certainty that the funds will be available as needed. This means that reserves, reserve accounts and other balances that are assigned to target date allocation will be reassigned to a nearer dated Target Date outcome as time passes. In this way as the spending needs grows nearer, the associated investment allocations will migrate to a lower risk Outcome.

Target Date Outcomes	Target Date 3- 5 Years			Target Date 5-10 Years			Target Date 10+ Years		
	% Weight			% Weight			% Weight		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE HISA		20			0			0	
Total Cash	**17**	**20**	**23**		**0**			**0**	
ONE Canadian Equity Fund		3			15			22.5	
ONE Global Equity Fund		7			35			52.5	
Total Equity	**8**	**10**	**12**	**45**	**50**	**55**	**71**	**75**	**79**
ONE Canadian Government Bond Fund		10.5			7.5			3.75	
ONE Canadian Corporate Bond Fund		10.5			7.5			3.75	
ONE Global Bond Fund		49			35			17.5	
Total Fixed Income	**66**	**70**	**74**	**45**	**50**	**55**	**21**	**25**	**29**
Total Allocated		**100**			**100**			**100**	

Appendix C: Performance Benchmarks for ONE Investment Funds

- The table below details the benchmarks to be used for the performance evaluation of the ONE Investment Pools.
- Blended benchmarks for the prudent investor Outcomes will be used in proportion to their target asset allocation weights.

ONE HISA	Bank of Canada 1 Year GIC Rate
ONE Canadian Equity Fund*	S&P/TSX Composite Total Return Index
ONE Global Equity Fund	MSCI ACWI (net)
ONE Canadian Government Bond Fund*	95% the DEX All Government Short Bond Index and 5% the DEX 91 Day T-Bill Index
ONE Canadian Corporate Bond Fund*	48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.
ONE Global Bond Fund	Bloomberg Barclays Multiverse Index

* Note 1: These funds have exposures that broadly parallel ONE Investment Legal List Program products and use the same performance benchmarks.

Appendix D: Transition Plan

Notwithstanding any provisions of this Plan, ONE JIB shall have the discretion to transition the Town's MNRI as constituted on the Prudent Effective Date to the target allocations set out in this Plan in such manner and within such time as ONE JIB considers to be prudent and reasonable in the circumstances. For greater certainty, it shall not be a contravention of this Plan if the actual allocations for the Town's MNRI are at variance from the targeted allocations set out herein, if the reason for the variation is that the transition plan has not been completed.

At the writing of this Plan (June 1, 2020), Huntsville's ONE Legal List Investment Program holdings included the following:

Current Holdings	Amount ($)
ONE Canadian Government Bond Portfolio	513,585
ONE Canadian Corporate Bond Portfolio	688,932
ONE Canadian Equity Portfolio	1,079,316
ONE HISA	1,584,034
Total	3,865,864

The objective is to move from existing investment to the current allocations recommended in this Plan (as noted below) as quickly and cost efficiently as practicable. The Town will liquidate the securities above, and the proceeds will be delivered to ONE JIB. The settlement cycle for ONE Investment portfolios & HISA is very short so no special considerations will be needed to accommodate the transfer of ONE Investment legal list holdings to ONE JIB investments. Additional monies will be transferred to ONE JIB to make up the balance of the MNRI. The Town will use cash plus proceeds from liquidating other short-term investments to complete the transfer of control and management of its MNRI to ONE JIB.

ONE Investment will provide forms to Huntsville's Treasurer to facilitate the liquidation of ONE Legal List Investment Program products and HISA. These forms will be used to provide instructions in advance of July 2, 2020, and these instructions will be acted on in conjunction with trade instructions from ONE JIB. This is intended to streamline the transition process so all trading instructions can be planned in advance and coordinated so the Town's money is deployed into the ONE Prudent Investment Program offerings seamlessly. The trading instructions and forms for this transition process will differ from the routine process that municipalities used to liquidate ONE Legal List Investment Program holdings.

Below is a summary of the intended ONE Investment allocations. Table C-1 shows the allocations to the ONE Investment Outcomes while Table C-2 reflects the consolidated allocations by funds that is implied.

Table C-1 - Huntsville's Outcomes

Outcome	**Total Invested ($)**	**Portfolio Weight (%)**
Cash	2,000,000	25.0
Contingency	3,000,000	37.5
Target Date 3-5 yrs	2,000,000	25.0
Target Date 10+ Years	1,000,000	12.5
Total	**8,000,000**	**100.0**

Table C-2 – Huntsville's Consolidated Holdings

ONE Investment Funds & HISA	**Total Invested ($)**	**Portfolio Weight (%)**
ONE HISA	2,400,000	30.0
ONE Canadian Equity Fund	825,000	10.3
ONE Global Equity Fund	1,925,000	24.1
ONE Canadian Government Bond Fund	427,500	5.3
ONE Canadian Corporate Bond Fund	427,500	5.3
ONE Global Bond Fund	1,995,000	24.9
Total	8,000,000	100.0

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this Plan, subject to the rebalancing provisions of section 9, until instructed otherwise.

Appendix E: Transferring Funds

These procedures will be provided at a later date.

14841547.2

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 HUNTSVILLE
(Municipality)

1.2 NAME OF THE TREASURER: JULIA MCKENZIE

1.3 NAME OF PRIMARY DAY-TO-DAY CONTACT**: JULIA MCKENZIE

1.4 TITLE OF PRIMARY DAY-TO-DAY CONTACT: MANGER OF FINANCE/TREASURER

1.5 ADDRESS: 37 MAIN STREET E, HUNTSVILLE, ON P1H 1A1

1.6 PHONE NUMBER OF TREASURER: 705-789-1751 EXT 2251

1.7 PHONE NUMBER OF PRIMARY DAY-TO-DAY CONTACT: 705-789-1751 EXT 2251

1.8 FAX NUMBER: 705-789-6689

1.9 EMAIL OF TREASURER: JULIA.MCKENZIE@HUNTSVILLE.CA

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

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:

____

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
JULIA MCKENZIE	MANAGER OF FINANCE/TREASURER	JULIA.MCKENZIE@HUNTSVILLE.CA
REVA FRAME	DEPUTY TREASURER	REVA.FRAME@HUNTSVILLE.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.

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

Municipal Client Questionnaire

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	31,784,375
Short Term Assets	20,035,376
Long Term Assets	11,748,999
Long Term Debt	7,286,075
Total Revenues	21,255,649
Reserves	10,662,195
Reserve Funds	
Trust Funds	
Sinking Funds	
Pension Funds	
Operating Funds	13,757,753 (CASH & EQUIVALENTS)

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

Type	2019	2020	2021	2022	2022-2030
RESERVES	12,082,109	13,901,284	8,761,364	6,188,134	8,454,706
DEPOSITS	1,186,538	1,186,538	1,186,538	1,186,538	1,186,538

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
NOT YET KNOWN		

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

Two occassions in 2019, high weather event and billing error in hydro for our largest facility. Funds are to be withdrawn from the working capital reserve account (approximately $350,000). Both were presented to Council for approval.

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)

Not yet known the extent of the repair or cost, municipal pool in 2022. Main St Streetscape project 2022/2023 $3,000,000

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	19,749,000
5.2	Total Amount of "Money Required Immediately" - MRI	24,000,000
5.3	MNRI currently invested with ONE Investment	2,000,000
5.4	MRI currently invested with ONE Investment	6,000,000
5.5	Total Amount currently invested with ONE Investment	8,000,000
5.6	Total Locked In portion of MNRI that is not available for investment moving to ONE JIB (e.g. local Hydro company shares)	11,749,000
5.7	Total Locked In portion of funds not moving to ONE JIB due to legislation or other requirements (e.g. cemetery trust)	675,000

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)

[1] to [2] year: ____________________

[2] to [5] years: 35%

[5] to [10] 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:

N

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

N

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

N

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 28 day of May, 20 20

JMcKenzie

JULIA MCKENZIE

Name and Signature of Treasurer

Second Signature (if Required)

REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer and
Colin Macdonald, Manager of Investments
Date: June 23, 2020
Re: Investment Report and Investment Plan – Town of Innisfil
Report: 20-017

1. RECOMMENDATIONS

It is recommended that:

1. The Board approve Town of Innisfil's Investment Plan (Attachment 1)

2. The Chief Investment Officer notify the Board of any in-year changes to Innisfil's Investment Policy Statement and any related implications for the Investment Plan

3. The Chief Investment Officer review the Investment Plan in Q1 2021 and present a revised Investment Plan for approval by Q2 2021

4. The Chief Investment Officer develop a performance report for Innisfil Council for the Board's consideration by Q1 2021

2. SUMMARY

Innisfil has agreed to be a Founding Municipality in the creation of the ONE Joint Investment Board (ONE JIB). As part of the process under the applicable provincial regulation, the Board must develop and approve an Investment Plan for the Town of Innisfil.

Key Points:

- Innisfil will initially allocate $15.0 million to the Prudent Investor Standard

- Innisfil does not anticipate MNRI declining for at least 5 years, or perhaps longer

- Expected annual returns based on the allocations in the proposed Investment Plan are in the range of 4.9%

- Innisfil's Investment Policy Statement (IPS) and Municipal Client Questionnaire (MCQ) were presented and received by the ONE JIB at its May 20, 2020 meeting. Details can be found in ONE JIB Report #20-011 – Investment Outcomes -Appendix 5.

- The Town is experiencing significant growth and a significant portion of MNRI consists of development charge reserves. There is considerable uncertainty about when these monies will be spent.

- The Investment Plan includes a quick transition of funds to ONE JIB, as Innisfil's contribution is currently mostly invested in ONE Legal List Investment funds.

The proposed investment allocations, which reflect consolidated holdings across ONE Investment outcomes are presented below:

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE Canadian Equity Fund	2,700,000	18.0
ONE Global Equity Fund	6,300,000	42.0
ONE Canadian Govt Bond Fund	900,000	6.0
ONE Canadian Corporate Bond Fund	900,000	6.0
ONE Global Bond Fund	4,200,000	28.0
Total	**15,000,000**	**100.0**

Locked-In Investments	Estimated Value ($)
Innpower Corporation (LDC)	22,510,137
Innterprises Inc. (LDC Affiliate)	179,740

3. BACKGROUND

Council has approved the application of the Prudent Investor Standard to a portion of Innisfil's investments

The Town's staff have worked with ONE staff and other Founding Municipalities to prepare the documentation and obtain the approvals needed to establish the ONE JIB. This included completing the Municipal Client Questionnaire and developing an Investment Policy Statement, which together reflect the investment needs, objectives, risk tolerances and constraints of the Town. The Investment Plan reflects this context.

Council considered the transition to the Prudent Investor Standard on four occasions. On April 10, 2019, Council approved further due diligence to determine the best approach to move to the Prudent Investor Standard, including participation as a Founding Municipality in the establishment of the ONE JIB. On November 13, 2019, Council approved the development of an Investment Policy Statement and the preparation of documents to establish the ONE JIB with other Founding Municipalities. On March 11, 2020, Council approved its Investment Policy Statement, which permits investment under the Prudent Investor Standard. On April 8, 2020 Council authorized execution of the Initial Formation Agreement and the ONE JIB Agreement. Council also received for information the draft Investment Plan prepared by ONE staff.

Innisfil's overall investment objective is moderate growth at moderate levels of risk, targeting above-inflation returns

The Regulation requires municipalities to consider the following matters under the prudent investor regime:

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

Innisfil's Investment Policy Statement verifies that the Town has taken these considerations into account in setting its investment objectives, and the Investment Plan provides further explanation.

ONE JIB uses an outcome-based approach, known as the Outcomes Framework, to translate municipal needs and goals into investment allocations. A draft of the Outcomes Framework was presented to Council for information at its April 8, 2020 meeting. Once the ONE JIB was legally constituted and able to deliberate the Outcomes Framework, it was refined and approved May 20, 2020. Table 1 below shows details of the ONE JIB approved Outcomes Framework, which classifies investments into four outcome categories: Cash, Contingency, Stable Return and Target Date outcomes. The revised outcomes are in alignment with Innisfil's investment objectives, risk profile and time frames. Innisfil's Investment Plan assigns investment allocations based on the outcome mapping in Table 1. The allocations are reflective of the objectives, characteristics and investment horizon and risk tolerance of the Town. The characteristics of the Town's reserves, reserve funds or other balances were considered when building investment allocations in the Investment Plan.

Table 1 - Investment Objectives and Outcomes

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

Innisfil holds shared in its Local Distribution Company

Innisfil has approximately $22.5 million in shares in Innpower Corporation, the local distribution company (LDC), and $180,000 in shares in its affiliate Innterprises Inc.

The Investment Policy Statement recognizes this investment as Long-Term Funds (or MNRI) that fall under the Prudent Investor Standard. However, the Investment Policy Statement provides direction to the ONE JIB with respect to the treatment of these funds.

LDC shares are considered restricted, special assets and remain in the custody of the Town. The Town is actively involved in shareholder meetings and plans to vote its shares. The LDC shares are to be viewed as separate standalone investments and are not to be included in calculations of asset allocations.

4. ANALYSIS

Innisfil has approximately $15.0 million in MNRI

At the end of 2019, the Town had reserves and reserve funds totalling approximately $68.6 million. The Town's growth needs are evolving, and the Town needs near term flexibility. The Treasurer has identified $15.0 million as MNRI.

The Town has used a time-based threshold of 24 months to define MNRI

Under the Act, municipalities can only invest MNRI, whether they choose to invest in the legal list or under the Prudent Investor Standard. For the purpose of the Prudent Investor Standard, it is necessary to define MNRI within the Investment Policy Statement because control of the funds is delegated to an investment board. The 24-month threshold was determined by the Treasurer and CFO to be an appropriate time frame for MRI, as it matches the time frame the Town uses for municipal planning purposes.

Innisfil anticipates that MNRI will be at or above $15.0 million for the next five years

Through 2021-2024, the Town expects major pre-planned capital expenditures to proceed and has defined the associated reserves as MRI. Innisfil therefore expects its MNRI balance to remain very stable and cannot foresee the balances declining below $15 million for at least five years, or perhaps longer.

The Investment Plan contains an asset allocation and allocations to specific funds

The Investment Plan provides asset allocations according to Innisfil's investment objectives and risk tolerance, as shown in Table 2. The allocations were informed by Innisfil's Investment Policy Statement, Municipal Client Questionnaire and discussions with staff that elaborated on the objectives, risk tolerance, liquidity needs and investment horizon for reserves that make up MNRI.

Table 2 - Asset Allocation

Outcome	Total Invested ($)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Contingency	15,000,000	100.0	-	40.0	60.0	100.0
Total	15,000,000	100.0				

The Investment Plan then allocates these amounts to ONE Investment's fund offerings, as shown in Table 3. Table 4 provides a summary of the allocations by fund.

The specific allocation to the Contingency Outcome noted above was based on input from the Investment Policy Statement and Municipal Client Questionnaire as well as discussions with the Treasurer and the CFO. Other Outcomes may be considered in the future as the Town's investment objectives evolve.

Table 3 - Investment Mix (Amount in $ and %)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Contingency ($)	-	2,700,000	6,300,000	900,000	900,000	4,200,000	15,000,000
Total weight (%)	**-**	**18.0%**	**42.0%**	**6.0%**	**6.0%**	**28.0%**	**100.0%**

Table 4 - Summary of Allocations by Fund

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE Canadian Equity Fund	2,700,000	18.0
ONE Global Equity Fund	6,300,000	42.0
ONE Canadian Govt Bond Fund	900,000	6.0
ONE Canadian Corporate Bond Fund	900,000	6.0
ONE Global Bond Fund	4,200,000	28.0
Total	**15,000,000**	**100.0**

The strong growth in Innisfil has resulted in the Town receiving large amounts of development charge reserves where the spending timeline is difficult to predict. The allocation to the Contingency Outcome is intended to reflect municipal needs. The Contingency Outcome is intended to provide growth in investments over time to fund unexpected spending needs or to address revenue shortfalls. The allocation of 100% of the Town's MNRI to the Contingency Outcome was deemed most appropriate at this time. The risk profile of the allocations was determined to be moderate primarily due to the longer term nature of the MNRI balances. The relatively low risk approach reflected in the design of ONE JIB's fund offerings means that higher equity weights should still result in a risk level that is appropriate for the Town, especially considering the long-term nature of its MNRI.

The average annual expected return on Innisfil's investments is approximately 4.9%

In its Municipal Client Questionnaire, Innisfil expressed annual return expectations in the range of -5% to +5%.

The overall estimated annual return for the asset allocations and fund mix in the investment plan is 4.9% (see May 20, 2020 ONE JIB Report #20-010 Fund Offerings and Investment Managers for detail on the basis of the investment return projections).

5. CONCLUSION

Innisfil's Council has approved an Investment Policy Statement and other documentation to enable it to adopt the Prudent Investor Standard and become a Founding Municipality for the ONE JIB.

The proposed Investment Plan is consistent with the Town's Investment Policy Statement. The proposed asset mix and fund allocations reflect the Town's investment objectives and risk preferences expressed in its Investment Policy Statement and Municipal Client Questionnaire.

As a result, the Investment Plan is appropriate for the Town's objectives, risk tolerance, time horizons and available MNRI.

Prepared by: Colin Macdonald, Manager of Investment Services and Keith Taylor, Chief Investment Officer

Approved for Submission by: Evelyn Foo, Chief Compliance Officer

Town of Innisfil
(Town or Innisfil)

Investment Plan

Date: July 2, 2020

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

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1. **Definitions**

(Note that terms and definitions used in this Investment Plan have the same meaning as those defined in the Investment Policy Statement)

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

Agency Agreement: means the Agency Agreement dated May 31, 1999 as amended and restated on March 1, 2010, between CHUMS and LAS as Agent and each Eligible Investor (as defined therein) under which such Eligible Investor participates in the ONE Legal List Investment Program, as amended, supplemented or replaced from time to time.

Asset Allocation (Asset Mix): means the proportion of each asset class in a portfolio or allocation.

Asset Class: means 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: 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"). 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;

HISA: means the ONE High Interest Savings Account. This is an investment product created by ONE Investment that offers competitive interest rates on daily balances. It functions in a similar way as a bank account in that it pays interest and funds can be withdrawn on demand without triggering investment gains or losses.

In-Kind: means assets/securities instead of cash. In certain cases municipalities may transfer securities to ONE JIB that reflect a portion of their MNRI instead of remitting only cash to ONE JIB. As these securities mature ONE JIB would invest the proceeds into the investment Outcomes specified in the Investment Plan.

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

Long-Term Funds: means money not required immediately (MNRI) by Innisfil.

Municipal Client Questionnaire: means 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: means a not-for-profit organization that will serve as an agent of ONE JIB to operationalize the investment activities of ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): means the joint board established by certain founding municipalities as a municipal services board under section 202 of the 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 July 2, 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.

ONE Legal List Investment Program: means the program for joint municipal investment in which municipalities and other eligible investors invest under the Agency Agreement.

ONE Prudent Investment Program: means the program for municipal investment in which a municipality has appointed ONE JIB as such municipality's Joint Investment Board and has entered into the ONE JIB Agreement.

Outcome: means in the context of the Investment Plan the same thing as 'solutions'. Investment Outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each municipal investor are intended to reflect the needs and circumstances of the municipality.

Prudent Investor Standard: means the standard requiring 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 ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

Short-Term Funds: means money that is required immediately (MRI) by a municipality. Innisfil's IPS defines MRI as funds that are to be used to meet financial obligations within the next twenty-four (24) month period.

2. Purpose of Investment Plan

As required under the Act's prudent investor regime, this Investment Plan (Plan) establishes how ONE JIB will invest Innisfil's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with Innisfil's IPS adopted by Council on March 11, 2020 and is based on the information in the Municipal Client Questionnaire (MCQ) dated March 11, 2020. It was presented to ONE JIB at the May 20, 2020 meeting in Report # 20-011 – Investment Outcomes. 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.

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 reviews to monitor compliance with the Act and the Regulation in addition to Innisfil's IPS.

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 an MCQ as part of its annual review. It is the responsibility of Innisfil to update the MCQ on a timely basis and to ensure that ONE Investment is aware of any needs that are not addressed in the MCQ 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 MCQ, IPS and other issues is set out in Appendix A. The process for moving funds in or out of ONE Investment is outlined in Appendix E.

4. Custodian

Except for Town-owned electricity related assets, all investments under the control and management of ONE JIB shall be held for safekeeping by ONE Investment's custodian. Additionally, securities In-Kind will be under the control and management of ONE JIB but may be held for safekeeping by a custodian acceptable to ONE JIB.

5. Investment Goals and Objectives

Returns on investments have an impact on Innisfil's revenues, and therefore a longer-term impact on future years' budgets and are intended to 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;
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available to spend as/if needed; and,
c. Funding target date projects, where Innisfil has an obligation for a specific project at a specific time.

ONE JIB adopted an outcome-based investment approach on May 20, 2020 that helps provide guidance on how municipal objectives will be translated into investment allocations. By assigning one of the defined outcomes in Table 1 for each municipal account or goal, guidance is given to ONE JIB that directs allocation choices.

Table 1 - ONE JIB Outcomes Framework

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

Innisfil's IPS and MCQ provided guidance on its needs, objectives, risk tolerances and time horizons related to its municipal accounts that were interpreted within the context of the Outcomes detailed in Table 1. Additionally, dialogue from the Treasurer was used to develop a fuller understanding of the municipal circumstances in order to advise on investment allocations.

While individually Innisfil's accounts/reserves are expected to require liquidity, collectively, they provide the Town with 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. However, at present all ONE Investment funds are designed to be highly liquid. Less liquid investments may become available through ONE Investment at a later date.

Additionally, details in the MCQ indicate that Innisfil will not need to drawdown MNRI for at least five years, and the Town does not have a specific project with a defined time horizon that these funds would be required for. This indicates that the Town has flexibility that allows it to invest with a relatively long-term investment horizon.

6. Investment Allocations

6.1 Asset Allocations

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

The goals, objectives, constraints and circumstances of the Town are taken into consideration when assigning asset allocations for the Town using ONE Investment's Outcome-based approach. These decisions are informed by the requirement to comply with the Prudent Investor Standard as defined in the Act. The Prudent Investor 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 the Town'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.

In drafting this Plan, these current economic conditions and the possible effect on inflation/deflation have been considered as follows:

- On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic. Subsequently, the Province of Ontario declared a state of emergency on March 17, 2020. The financial impact of these events on municipalities is still to be determined. Examples could include increased cash flow requirements, decreased revenue or pressure for lower property tax rate increases.
- The COVID-19 pandemic has the potential to change the economic outlook and the capital markets outlook in ways that cannot be foreseen. This should not directly affect the risk profile of the Town or the implementation of this Plan.
- Prior to the COVID-19 pandemic, economic conditions have been characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. The global economy appeared to be in the later stage of an economic expansion with significant potential for deceleration of economic growth. The COVID-19 pandemic has clouded the outlook.

- The portions of MNRI that will be needed in the shorter term will be invested in investment strategies with very low risk and high liquidity (such as cash and short-term fixed income) given the economic uncertainty in the near-term. In the Town's current circumstances all of its MNRI has a long-term investment horizon, but this may change over coming years as the Town determines that money that it receives in the future constitutes MNRI.
- The portions of MNRI that are not expected to be needed over the short-term (currently this represents all of MNRI) will be invested to take advantage of a longer-term investment horizon, when the current economic uncertainties will likely have subsided; the use of diversification to reduce volatility and investments in securities with a potential for higher returns such as equities and bonds is expected to achieve returns that outpace inflation.

Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Chief Investment Officer considers appropriate for the Town. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining an appropriate risk profile.

6.2 Account Structure

The amounts of MNRI, as disclosed in Innisfil's MCQ dated March 11, 2020 have been allocated into a single investment Outcome that is reflective of the objectives and circumstances of the Town and its MNRI. Innisfil's MNRI will be allocated entirely to the Contingency Outcome. This will provide guidance to ONE JIB when investing these monies.

The allocation to the Contingency Outcome will be generated using ONE Investment Pools and products to create solutions via a specific asset allocation. Descriptions of the ONE Investment Pools and the asset allocations for each solution are set out in Appendix B.

The process of moving from the current investments to the target weights in this Plan, is outlined in the Transition Plan in Appendix D. 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 Outcome

Innisfil will need to generate long-term growth for funds within the Contingency Outcome. Contingency funds may be drawn upon to meet unexpected needs and infrequent events. Additionally, much of its MNRI consists of reserves that can be used for growth-related capital projects, but the timing of potential drawdowns is uncertain. Emphasis on the preservation of purchasing power / inflation is a key consideration. Details of the Contingency Outcome are shown in Table 2. Further details about the Contingency Outcome allocations are described in Appendix B. These funds will be invested based on the following asset mix set out in Table 2 and will be rebalanced to ensure a consistent risk profile - rebalancing is explained in more detail in section 9. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.

Table 2 - Contingency Outcome

Asset Class	% Weight Min	Target	Max	Benchmark
Equity	**55**	**60**	**65**	
ONE Canadian Equity Fund		18		S&P/TSX Composite Index
ONE Global Equity Fund		42		MSCI ACWI (All Country World Index)
Fixed Income	**35**	**40**	**45**	
ONE Canadian Government Bond Fund		6		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		28		Bloomberg Barclays Multiverse Index
Total		**100**		

Contingency Outcome returns and risk are discussed in section 6.6.

Benchmark: 18% x S&P/TSX Composite Total Return Index + 42% x MSCI ACWI + 6% x *blended benchmark* - Canadian Government Bonds +6% x *blended benchmark* - Canadian Corporate Bonds + 28% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.4 Stable Return Outcome

Stable Return Outcomes are designed to generate returns that can be used to fund recurring expenses within the Town. The primary purpose is to generate a source of sustainable income for the Town.

At the time of the writing of this Plan on May 28, 2020 the use of Stable Return Outcomes was not deemed appropriate considering the Town's investment needs and preferences. It may be appropriate to add Stable Return Outcome allocations at date in the future if circumstances change.

6.5 Target Date Outcome

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. It is intended to be appropriate for specific projects or needs in the future with well-defined funding requirements on a well-defined timeline. ONE JIB has designed several Target Date Outcomes that are suitable for the range of timelines appropriate for municipal investing. All income will be reinvested to ensure growth of the investments to meet the Target Date Outcome.

At the time of the writing of this Plan on May 28, 2020 the use of Target Date Outcomes was not deemed appropriate considering the Town's investment needs and preferences. It may be appropriate to add Target Date Outcome 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 under the Prudent Investor Standard. Table 3 below provides a projection of the expected annual returns for each of Innisfil's investment Outcomes. These estimates were derived from an analysis of long-term returns based on conservative capital market assumptions and economic forecasts. They are presented for information purposes only and actual investment results may differ materially. The source of returns (recurring income vs capital gains) is not a factor that ONE JIB actively considers for these mandates. It is largely not relevant to municipal investors because they are not subject to taxes on investment returns.

Table 3 - Investment Returns

Outcome	Expected Return	Allocation Weight (%)
Contingency	4.9%	100.0%
Overall	**4.9%**	**100.0%**

* The projected overall Expected Return of the asset allocations for ONE Investment prudent investor offerings was evaluated by an external consultant, Aon. Their analysis includes a proprietary return measure that projects average annual expected returns via a Monte Carlo analysis. Actual returns may differ. Details of the analysis can be found in ONE JIB Report # 20-010 – Investment Outcomes.

6.7 Other Accounts

The Town has no other accounts ONE JIB must consider.

7. Constraints

Besides those listed below, 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 may 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 not be used for speculative purposes except where the External Portfolio Managers use it in the underlying fund. 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.

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and investment pools (the ONE Investment Pools) used as building blocks in the asset allocation for each Outcome. These External Portfolio Managers are chosen and monitored using a rigorous 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 by ONE Investment. Each investment Outcome will have target weights assigned for each holding, which collectively represent the intended asset mix for the Outcome. Minimum and maximum weights will also be assigned for asset classes, and these weights will guide the rebalancing process. Should the weight deviate outside the minimum or maximum weights noted in Appendix B, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions will be completed as soon as reasonably viable, taking into account 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.

ONE Investment will rebalance all accounts to target weights twice annually based on fixed dates: April 15 and October 15 (or the following business day). Accounts that are within a 2% threshold of the intended targets will not be rebalanced.

10. Accommodating Cashflow Needs

This Plan is intended to be dynamic and responsive to the changing needs of Innisfil. Once informed of changing needs in accordance with the ONE JIB Agreement, ONE JIB may need to revise allocations, deploy incoming monies or sell units of the investment pools 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 units of the investment pools. Any fee discounts that apply to Innisfil are intended to be reinvested into the Contingency Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

Innisfil's investment in Innpower Corporation, a LDC, and Innterprises Inc, an LDC Affiliate, have a strategic purpose beyond generating investment returns. While these investments are part of the responsibility of ONE JIB, they are subject to a restriction set out in Innisfil's IPS such that ONE JIB has agreed not to dispose of or deal with these investments without Innisfil's consent. Table 4 below describes these investments in Innpower Corporation and Innterprises Inc.

Table 4 - Innisfil's Legacy 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

Innisfil plans to sell some or all of Innisfil's ONE Legal List Program products. The proceeds of the sale will be given to ONE JIB as MNRI. More detail on transition planning is provided in Appendix D.

12. Comments by Chief Investment Officer

Certain qualitative factors were considered in assigning the investment allocations. Overall Innisfil's investment horizon is long, and its asset management planning reflects significant infrastructure investment as the Town grows. Significant capital spending will be involved though there is notable uncertainty in the timeline for spending for growth-related projects. This makes it difficult to project future cashflow needs due to uncertainty related to the timing of when funding may be required. Flexibility is required in the Plan so that sufficient liquidity is available to address needs that cannot be defined with a precise timeline.

The Town has balances of about $85 million in MRI and $15 million in MNRI (excluding LDC investments). The Town has considerable flexibility to fund projects 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 will to be at or above the $15 million level for at least the next 5 years, and perhaps much longer. 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 has determined is MNRI, will be transferred to ONE JIB and will be financed by the Treasurer selling existing ONE Investment Legal List products. With about $58 million in HISA and $5 million in the ONE Canadian Government Bond portfolio there is more than enough in investments that can be readily liquidated and transferred to 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 Chief Investment Officer recommends exposure to equities to achieve this. Initial allocations to equities are expected to be about $9.0 million which represent 60% of overall MNRI. This level of exposure to equities is appropriate considering the long-term nature of Innisfil's MNRI and the investment risk profile of Innisfil.

Appendix A: 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;
- Revisions in MNRI;
- Desired end use of funds, especially if that is likely to affect the investment approach; and
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the MCQ on the ONE Investment website. Section 5.01 (c) of the ONE JIB Agreement requires that Participating Municipalities provide written notice to the Board Secretary of ONE JIB of any amendment or modification to its IPS. Written communication should be directed to the attention of the Chief Investment Officer at ONE@oneinvestment.ca and the ONE JIB Secretary at dkelly@oneinvestment.ca. They are considered received when ONE Investment provides a formal return email acknowledgement.

Appendix B: Description of ONE Investment Pools, Products and Outcomes

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 Class
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Cash
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity focused on Canadian Government bonds	Canadian short-term Fixed Income
ONE Canadian Corporate Bond Fund	MFS	Primarily in Canadian Corporate Bonds	Canadian Fixed Income
ONE Global Bond Fund	Manulife Investment Management	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	Mawer Investment Management	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian Capital	Canadian Equity with conservative investment approach	Canadian Equities

Investment Outcomes

The asset allocations for ONE Investment's Outcomes are detailed in the tables below. Rebalancing will be managed for these asset allocations as explained in this Plan. As asset mixes drift away from their intended target and converge on either the minimum or maximum ranges noted below, ONE Investment will rebalance the holdings to restore allocations to the intended asset mix. The Outcomes will also be rebalanced twice annually, as required, to ensure the allocations do not drift materially away from the intended targets. Note that these allocations target a maximum of 70% foreign exposure, and Canadian Bond exposure targets equal allocation to the ONE Canadian Government Bond Fund and the ONE Canadian Corporate Bond Fund.

Cash Outcome	% Weight		
	Min	**Target**	**Max**
ONE HISA	na	100	na
Total Cash		**100**	

Stable Return Outcome	% Weight			Duration
	Min	**Target**	**Max**	**(Years)**
ONE HISA	8	10	12	
Total Cash	**8**	**10**	12	
ONE Canadian Equity Fund		9		
ONE Global Equity Fund		21		
Total Equity	**26**	**30**	**34**	
ONE Canadian Government Bond Fund		9		1.6 – 3.6
ONE Canadian Corporate Bond Fund		9		3.0 – 6.9
ONE Global Bond Fund		42		2.0 – 6.0
Total Fixed Income	**55**	**60**	**65**	
Total Allocated		**100**		

Contingency Outcome	% Weight			Duration
	Min	**Target**	**Max**	**(Years)**
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		18		
ONE Global Equity Fund		42		
Total Equity	**55**	**60**	**65**	
ONE Canadian Government Bond Fund		6		1.6 – 3.6
ONE Canadian Corporate Bond Fund		6		3.0 – 6.9
ONE Global Bond Fund		28		2.0 – 6.0
Total Fixed Income	**35**	**40**	**45**	
Total Allocated		**100**		

Asset Management Reserve Outcome	% Weight			Duration
	Min	**Target**	**Max**	**(Years)**
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		27		
ONE Global Equity Fund		63		
Total Equity	**88**	**90**	**92**	
ONE Canadian Government Bond Fund		1.5		1.6 – 3.6
ONE Canadian Corporate Bond Fund		1.5		3.0 – 6.9
ONE Global Bond Fund		7		2.0 – 6.0
Total Fixed Income	**8**	**10**	**12**	
Total Allocated		**100**		

Target Date Outcomes:

Investments with target dates will be managed to reduce risk as the target date approaches. As time passes and the spending needs get closer, it is appropriate to reduce the amount of risk so that there is greater certainty that the funds will be available as needed. This means that reserves, reserve accounts and other balances that are assigned to target date allocation will be reassigned to a nearer dated Target Date Outcome as time passes. In this way as the spending needs grows nearer, the associated investment allocations will migrate to a lower risk Outcome.

Target Date Outcomes	Target Date 3- 5 Years			Target Date 5-10 Years			Target Date 10+ Years		
	% Weight			% Weight			% Weight		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE HISA		20			0			0	
Total Cash	**17**	**20**	**23**		**0**			**0**	
ONE Canadian Equity Fund		3			15			22.5	
ONE Global Equity Fund		7			35			52.5	
Total Equity	**8**	**10**	**12**	**45**	**50**	**55**	**71**	**75**	**79**
ONE Canadian Government Bond Fund		10.5			7.5			3.75	
ONE Canadian Corporate Bond Fund		10.5			7.5			3.75	
ONE Global Bond Fund		49			35			17.5	
Total Fixed Income	**66**	**70**	**74**	**45**	**50**	**55**	**21**	**25**	**29**
Total Allocated		**100**			**100**			**100**	

Appendix C: Performance Benchmarks for ONE Investment Funds

- The table below details the benchmarks to be used for the performance evaluation of the ONE Investment Pools.
- Blended benchmarks for the prudent investor Outcomes will be used in proportion to their target asset allocation weights.

ONE HISA	Bank of Canada 1 Year GIC Rate
ONE Canadian Equity Fund*	S&P/TSX Composite Total Return Index
ONE Global Equity Fund	MSCI ACWI (net)
ONE Canadian Government Bond Fund*	95% the DEX All Government Short Bond Index and 5% the DEX 91 Day T-Bill Index
ONE Canadian Corporate Bond Fund*	48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.
ONE Global Bond Fund	Bloomberg Barclays Multiverse Index

* Note 1: These funds have exposures that broadly parallel ONE Investment Legal List Program products and use the same performance benchmarks.

Appendix D: Transition Plan

Notwithstanding any provisions of this Plan, ONE JIB shall have the discretion to transition Innisfil's MNRI as constituted on the Prudent Effective Date to the target allocations set out in this plan in such manner and within such time as ONE JIB considers to be prudent and reasonable in the circumstances. For greater certainty, it shall not be a contravention of this Plan if the actual allocations for Innisfil's MNRI are at variance from the targeted allocations set out herein if the reason for such variance is that the transition plan has not been completed.

At the writing of this Plan (May 28, 2020), Innisfil's ONE Legal List Investment Program holdings included the following:

Current Holdings	Amount ($)
ONE Canadian Government Bond Portfolio	5,260,451
ONE HISA	58,778,843
Total	64,039,294

The objective is to move such holdings to the intended investment allocations as quickly and cost efficiently as practicable. The $15 million MNRI that Innisfil discloses in its MCQ can be transferred to ONE JIB in an orderly fashion by liquidating some of its ONE Legal List Investment Program products. Due to the short settlement cycle for ONE Legal List Investment Program products and their liquidity, no special planning is required to facilitate the transition to the Prudent Investment Program products. The Treasurer intends to liquidate all holdings in the ONE Canadian Government Bond Funds and the balance of MNRI to be transferred to the control and management of ONE JIB will be drawn down from the HISA balances.

ONE Investment will provide forms to Innisfil's Treasurer to facilitate the liquidation of ONE Legal List Investment Program products and HISA. These forms will be used to provide instructions in advance of July 2, 2020, and these instructions will be acted on in conjunction with trade instructions from ONE JIB. This is intended to streamline the transition process so all trading instructions can be planned in advance and coordinated so the Town's money is deployed into the ONE Prudent Investment Program offerings seamlessly. The trading instructions and forms for this transition process will differ from the routine process that municipalities used to liquidate ONE Legal List Investment Program holdings.

Below is a summary of the intended ONE Investment allocations. Table C-1 shows the allocations to the ONE Investment Outcomes while Table C-2 reflects the consolidated allocations by funds that is implied

Table C- 1 - Innisfil's Outcomes

Outcome	Allocation Weight (%)
Contingency	100.0
Overall	100.0

Table C- 2 - Innisfil's Consolidated Holdings

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE Canadian Equity Fund	2,700,000	18.0
ONE Global Equity Fund	6,300,000	42.0
ONE Canadian Govt Bond Fund	900,000	6.0
ONE Canadian Corporate Bond Fund	900,000	6.0
ONE Global Bond Fund	4,200,000	28.0
Total	**15,000,000**	**100.0**

Appendix E: Transferring Funds

These procedures will be provided at a later date.

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REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer and
Colin Macdonald, Manager of Investments
Date: June 23, 2020
Re: Investment Report and Investment Plan – City of Kenora
Report: 20-018

1. RECOMMENDATIONS

It is recommended that:

1. The Board approve Kenora's Investment Plan (Attachment 1)

2. The Chief Investment Officer notify the Board of any in-year changes to Kenora's Investment Policy Statement and any related implications for the Investment Plan

3. The Chief Investment Officer review the Investment Plan in Q1 2021 and present a revised Investment Plan for approval by Q2 2021

4. The Chief Investment Officer develop a performance report for Kenora Council for the Board's consideration by Q1 2021

2. SUMMARY

Kenora has agreed to be a Founding Municipality in the creation of the ONE Joint Investment Board (ONE JIB). As part of the process under the applicable provincial regulation, the Board must develop and approve an Investment Plan for the City of Kenora.

Key Points:

- Kenora will initially allocate $43.3 million to the Prudent Investor Standard, including $38.3 million to be invested immediately by the ONE JIB

- A significant portion of the City's MNRI is attributable to the Citizens' Prosperity Trust Fund (CPTF), consisting of $21.8 million in ONE prudent investment program products and $5 million in in-kind securities

- Kenora's will also have a 'general account' that represents the remaining portion of its MNRI with $16.5 million in ONE prudent investment program products.

- Kenora anticipates that $7.3 million of MNRI may be required within five years to fund capital projects. If needed the $5 million of in-kind securities could be transferred back to the City and liquidated to fund these capital projects. Additional funds could be withdrawn from allocations in the Target Date 3-5 Year Outcome.

- Expected annual returns based on the allocations in the proposed Investment Plan are approximately 4.1%

- Kenora's Investment Policy Statement and Municipal Client Questionnaire were presented and received by the ONE JIB at its May 20, 2020 meeting. Details can be found in ONE JIB Report #20-011 -Investment Outcomes - Appendix 6.

- The Investment Plan includes a quick transition of funds to ONE JIB. Kenora's contribution is split between ONE Legal List products and securities held at RBC Dexia.

The proposed investment allocations, which reflect consolidated holdings across ONE Investment outcomes are presented below:

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	2,780,000	7.3
ONE Canadian Equity Fund	4,475,741	11.7
ONE Global Equity Fund	10,443,395	27.3
ONE Canadian Govenrment Bond Fund	3,084,914	8.1
ONE Canadian Corporate Bond Fund	3,084,914	8.1
ONE Global Bond Fund	14,396,263	37.6
Total	**38,265,226**	**100.0**

Locked-In Investments	Estimated Value ($)
Securities Transferred In-Kind (not invested in ONE Fund)	5,000,000
Synergy North Corporation	10,000,000

3. BACKGROUND

Council has approved the application of the Prudent Investor Standard to a portion of Kenora's investments

The City's staff have worked with ONE staff and other Founding Municipalities to prepare the documentation and obtain the approvals needed to establish the ONE JIB. This included completing the Municipal Client Questionnaire and developing an Investment Policy Statement.

Council considered the transition to the Prudent Investor Standard on three occasions. On April 16, 2019, Council approved further due diligence to determine the best approach to move to the Prudent Investor Standard, including participation as a Founding Municipality in the establishment of the ONE JIB. On September 17, 2019, Council approved the development of an Investment Policy Statement and the preparation of documents to establish the ONE JIB with other Founding Municipalities. On February 18, 2020, Council approved its new Investment Policy Statement, which permits investment under the Prudent Investor Standard. On March 31, 2020, Council authorized execution of the Initial Formation Agreement and the ONE JIB agreement. Council also received for information the draft Investment Plan prepared by ONE staff.

The City's overall investment objective is moderate growth with modest levels of risk, resulting in above-inflation returns.

The Regulation requires municipalities to consider the following matters under the prudent investor regime:

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

Kenora's Investment Policy Statement verifies that the City has taken these considerations into account in setting its investment objectives, and the Investment Plan provides further explanation.

Additionally, Kenora's investments are intended to generate a stream of income for the annual municipal budget; the current annual income target is $1.1 million.

ONE JIB uses an outcome-based approach to translate municipal needs and goals into investment allocations. A draft of the Outcomes Framework was presented to Council for information at its Feb 18, 2020 meeting. Once the ONE JIB was legally constituted and able to deliberate, the Outcomes Framework was refined and approved May 20, 2020 (see ONE JIB Report #20-011 – Investment Outcomes). Table 1 below shows details of the ONE JIB approved Outcomes Framework, which classifies investments into four Outcome categories: Cash, Contingency, Stable Return and Target Date Outcomes. The revised Outcomes are in alignment with Kenora's investment objectives, risk profile and time frames. Kenora's Investment Plan assigns investment allocation based on the outcome mapping in Table 1. The allocations are reflective of the objectives, characteristics and investment horizon and risk tolerance of the City. The characteristics of the City's reserves, reserve funds or other balances were considered when building investment allocations in the Investment Plan.

Table 1 - Investment Objectives and Outcomes

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

4. ANALYSIS

Kenora has approximately $43.3 million in MNRI

At the end of 2019, the City had reserves and reserve funds totalling approximately $17.1 million, $16.5 million of which it has deemed MNRI. This in addition to the $21.8 million of CPTF available for immediate investment, and $5 million in in-kind bonds to be held to maturity.

Kenora's MNRI are subdivided into two categories: (1) general municipal funds, and (2) Citizens' Prosperity Trust Funds

In 2008 Kenora sold its municipal telephone system and established the Citizens' Prosperity Trust Fund (CPTF) worth approximately $40.8 million at the time. The Citizens' Prosperity Fund is expected to generate $1.1 million in income each year, which the Town uses to mitigate the need for property tax increases. The City often uses the CPTF as a source of internal debt financing, borrowing money from the CPTF at an interest rate of 3.0%. The interest payments from inter-city borrowing from the CPTF in combination with investment returns on the ONE Prudent Investment holdings should generate sufficient returns to meet the $1.1 million objective. The portion of the CPTF available for long-term investment is $21.8 million. Kenora will also be providing $5 million in in-kind bonds designated to the CPTF which are intended to be held to maturity. The target return for all CPTF money is 3.0%. Due to the perpetual nature of the CPTF, City staff prepares a separate report annually on its performance and health. As such, MNRI will be segregated to facilitate separate reporting on each subcategory of funds.

The majority of MNRI has a very long time horizon

MNRI invested in the CPTF have a very long-term time horizon. The Municipal Client Questionnaire notes that $26.7 million of MNRI will not be required by the municipality within the next 10 years. This reflects the long-term nature of the CPTF balances. This trust is intended to be a perpetual trust that generates recurring returns/income that can fund a portion of annual municipal spending. The MNRI in the CPTF is very long-term in nature and investment allocations should reflect this.

The City has used a time-based threshold of 24 months to define MNRI

Under the Act, municipalities can only invest MNRI, whether they choose to invest in the legal list or under the Prudent Investor Standard. For the purpose of the Prudent Investor Standard, it is necessary to define MNRI in the Investment Policy Statement because control of the funds is delegated to an investment board. ONE Investment provided guidance on best practices in determining the definition of MNRI and the City determined that twenty-four (24) months was appropriate.

Kenora holds shares in its Local Distribution Company

Kenora has approximately $10 million in shares of Synergy North Corporation, the local distribution company (LDC).

The Investment Policy Statement recognizes this investment as Long-Term Funds (or MNRI) that fall under the Prudent Investor Standard. However, the Investment Policy Statement provides direction to the ONE JIB with respect to the treatment of these funds.

LDC shares are considered restricted, special assets and remain in the custody of the City. The City is actively involved in shareholder meetings and plans to vote its shares. The LDC shares are to be viewed as separate standalone investments and are not to be included in calculations of asset allocations.

The Investment Plan contains an asset allocation and allocations to specific funds

The Investment Plan provides asset allocations according to Kenora's investment objectives and risk tolerance, as shown in Table 2. These allocations are based on the City's Investment Policy Statement, which describes the objectives, risk tolerance, liquidity and investment horizon for the reserves and balances that make up MNRI.

Table 2 -Asset Allocation

Outcome	Total Invested ($)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Stable Return	21,800,000	57.0	10	60	30	100
Contingency	13,465,226	35.2	-	40	60	100
Target Dates 3-5 yrs	3,000,000	7.8	20	70	10	100
Total	**38,265,226**	**100.0**				

The Investment Plan then allocates these amounts to ONE Prudent Investment Program fund offerings, as shown in Table 3. Table 4 provides the same information in percentage, showing how the fund holdings are held within each of the Outcomes. Table 5 provides a summary of the allocations by fund.

Table 3 - Investment Mix (Amounts in $)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Stable Return	2,180,000	1,962,000	4,578,000	1,962,000	1,962,000	9,156,000	21,800,000
Contingency	-	2,423,741	5,655,395	807,914	807,914	3,770,263	13,465,226
Target Dates 3-5 yrs	600,000	90,000	210,000	315,000	315,000	1,470,000	3,000,000
Total	**2,780,000**	**4,475,741**	**10,443,395**	**3,084,914**	**3,084,914**	**14,396,263**	**38,265,226**

Table 4 – Investment Mix (%)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Stable Return	5.7%	5.1%	12.0%	5.1%	5.1%	23.9%	57.0%
Contingency	0.0%	6.3%	14.8%	2.1%	2.1%	9.9%	35.2%
Target Dates 3-5 yrs	1.6%	0.2%	0.5%	0.8%	0.8%	3.8%	7.8%
Total	**7.3%**	**11.7%**	**27.3%**	**8.1%**	**8.1%**	**37.6%**	**100.0%**

Table 5 – Summary of Allocation by Fund

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	2,780,000	7.3
ONE Canadian Equity Fund	4,475,741	11.7
ONE Global Equity Fund	10,443,395	27.3
ONE Canadian Govenrment Bond Fund	3,084,914	8.1
ONE Canadian Corporate Bond Fund	3,084,914	8.1
ONE Global Bond Fund	14,396,263	37.6
Total	**38,265,226**	**100.0**

The specific allocations to each one of the Outcomes noted above (Cash, Contingency, Stable Return or Target Date) are based on input from the Investment Policy Statement and Municipal Client Questionnaire, as well as discussions with the Treasurer. The purpose and characteristics of each reserve, reserve account and other balances were mapped to each of these outcomes, which determined the dollar amount assigned to each Outcome.

The City's risk profile reflects its circumstances. Their income targets necessitate a sufficient equity allocation to generate growth, which still fits within the City's risk profile, given their long investment time horizon and the conservative nature of the equity funds. As near-term capital spending is completed MNRI balances will start growing and the in-kind holdings (bonds) will mature. This will lead to a somewhat higher allocation risk profile that will likely lead to a higher allocation to equities over time.

The average annual expected return on Kenora's investments is approximately 4.1%

In its Municipal Client Questionnaire, Kenora expressed annual return expectations in the range of 0% to +2%. However, the explicit return expectation on their CPTF funds is at least 3%, with principal protection as their key risk measure.

The overall estimated annual return for the asset allocations and fund mix in the Investment Plan is 4.1%. The expected returns by investment objective (see May 20, 2020 -ONE JIB Report #20-010 – Fund Offerings and Investment Managers for detail on the basis of the investment projections) are:

- Stable Return Outcome: 3.8%
- Contingency Outcome: 4.9%
- Target Date 3-5 Year Outcome: 3.0%.

5. CONCLUSION

Kenora's Council has approved an Investment Policy Statement and other documentation to enable it to adopt the Prudent Investor Standard and become a Founding Municipality for the ONE JIB.

The proposed Investment Plan is consistent with the City's Investment Policy Statement. The proposed asset mix and fund allocations reflect the City's investment objectives and risk preferences expressed in its Investment Policy Statement and Municipal Client Questionnaire.

As a result, the Investment Plan is appropriate for the City's objectives, risk tolerance, time horizons and available MNRI.

The consolidated ONE Investment Prudent Investor Portfolio (excluding the $5 million of in-kind bonds) has and equity weight of 39.0% and expected annualized returns of 4.1%. As a result, the Investment Plan is appropriate for the Town's objectives, risk tolerance, time horizons, and available MNRI.

Prepared by: Colin Macdonald, Manager of Investment Services and Keith Taylor, Chief Investment Officer

Approved for Submission by: Evelyn Foo, Chief Compliance Officer

City of Kenora

(City or Kenora)

Investment Plan

Date: July 2, 2020

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

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Contents

1. Definitions

(Note that terms and definitions used in this Investment Plan have the same meaning as those defined in the Investment Policy Statement)

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

Agency Agreement: means the Agency Agreement dated May 31, 1999 as amended and restated on March 1, 2010, between CHUMS and LAS as Agent and each Eligible Investor (as defined therein) under which such Eligible Investor participates in the ONE Legal List Investment Program, as amended, supplemented or replaced from time to time.

Asset Allocation (Asset Mix): means the proportion of each asset class in a portfolio or allocation.

Asset Class: means 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.

CPTF: means the City Citizen's Prosperity Trust Fund which was established in 2008 with the proceeds of the sale of Kenora's municipal telephone system – approximately $40.8 million. The City requires $1.1 million in income from this trust fund.

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"). 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;

HISA: means the ONE High Interest Savings Account. This is an investment product created by ONE Investment that offers competitive interest rates on daily balances. It functions in a similar way as a bank account in that it pays interest and funds can be withdrawn on demand without triggering investment gains or losses.

In-Kind: means assets/securities instead of cash. In certain cases, municipalities may transfer securities to ONE JIB that reflect a portion of their MNRI instead of remitting only cash to ONE JIB. As these securities mature ONE JIB would invest the proceeds into the investment Outcomes specified in the Investment Plan.

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

Long-Term Funds: means money not required immediately (MNRI) by Kenora.

Municipal Client Questionnaire: means 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: means a not-for-profit organization that will serve as an agent of ONE JIB to operationalize the investment activities of ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): means the joint board established by certain founding municipalities as a municipal services board under section 202 of the 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 July 2, 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.

ONE Legal List Investment Program: means the program for joint municipal investment in which municipalities and other eligible investors invest under the Agency Agreement.

ONE Prudent Investment Program: means the program for municipal investment in which a municipality has appointed ONE JIB as such municipality's Joint Investment Board and has entered into the ONE JIB Agreement.

Outcome: means in the context of the Investment Plan the same thing as 'solutions'. Investment Outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each municipal investor are intended to reflect the needs and circumstances of the municipality.

Prudent Investor Standard: means the standard requiring 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 ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

Short-Term Funds: means money that is required immediately (MRI) by a municipality. Kenora's IPS defines MRI as funds that are to be used to meet financial obligations within the next twenty-four (24) month period.

2. Purpose of Investment Plan

As required under the Act's prudent investor regime, this Investment Plan (Plan) establishes how ONE JIB will invest the City of Kenora's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with Kenora's IPS adopted by Council on February 18, 2020 and is based on the information in the Municipal Client Questionnaire (MCQ) dated April 30, 2020. It was presented to ONE JIB at the May 20, 2020 meeting in Report # 20-011 – Investment Outcomes. 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.

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 reviews to monitor compliance with the Act, the Regulation and the City's IPS.

This Plan is dependent on clear communication between the City, ONE JIB and ONE Investment regarding the City's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs an MCQ as part of its annual review. It is the City's responsibility to update the MCQ on a timely basis and to ensure that ONE Investment is aware of any needs that are not addressed in the MCQ 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 the City. The process for communicating changes in the MCQ, IPS and other issues is set out in Appendix A. The process for moving funds in or out of ONE Investment is outlined in Appendix E.

4. Custodian

Except for City-owned electricity assets, all investments under the control and management of ONE JIB shall be held for safekeeping by ONE Investment's custodian. Additionally, securities In-Kind will be under the control and management of ONE JIB but may be held for safekeeping by a custodian acceptable to ONE JIB.

5. Investment Goals and Objectives

Returns on investments have an impact on the City's revenues, and therefore a longer-term impact on future years' budgets and are intended to 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 the City'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 to spend as/if needed; and,
c. Funding target date projects, where the City has an obligation for a specific project at a specific time.

The City has identified details of its investment objectives for its MNRI within its IPS. The detailed analysis of how the main reserves, reserve funds and other balances are described in detail on pages 24 through 26 of the City's IPS and provides relevant context about the objectives, risk tolerance and time horizon for accounts that represent the City's MNRI.

The City's investment needs described in its IPS provide Council's guidance to ONE JIB in determining investment allocations. Additional context from the MCQ and dialogue with the Treasurer were used to interpret the details. This informs ONE JIB about the City's current goals, objectives, circumstances and risk tolerance, and helps direct how investment allocations will be determined.

Once ONE JIB was legally constituted and able to consider the Outcomes Framework, the framework was refined and approved on May 20, 2020 (see ONE JIB Report #20-011 – Investment Outcomes). The approved Outcomes Framework differs somewhat from the Outcome mapping that was presented to Council. This Plan has interpreted the goals and objectives as disclosed by the City within the context of the Outcome mapping in Table 1 below. The allocation of the City's MNRI within this framework in Table 1 is consistent with the details as disclosed in the City's IPS and MCQ.

Table 1 - ONE JIB Outcome Framework

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

While individually the City's reserve and reserve funds require liquidity, collectively they provide the City with 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. However, at present all ONE Investment funds are designed to be highly liquid. Less liquid investments may become available through ONE Investment at a later date.

Additionally, the City has significant funding flexibility as most of its MNRI has been identified as having a very long time horizon. Funding needs within the next five years out of MNRI are estimated at $7.3 million, which represents 17% of its MNRI. It is possible that annual municipal cashflows may fund a portion of this estimated spending. This means that the vast majority of the City's MNRI can be invested on a long-term basis to achieve better growth potential.

A significant portion of the City's MNRI reflects balances of the Citizens Prosperity Trust Fund (CPTF) which was established in 2008 from proceeds of the sale of the City's holdings in a telephone company. The CPTF's investments are intended to be invested in perpetuity with the initial capital to remain intact and income/gains from the CPTF to be available to be utilised within the City's budget. The City's objective with the CPTF is to replace the annual income the telephone company provided during its operation, which was approximately $1.1 million with investment income/returns. The City targets a three percent annual return on all CPTF money to meet this objective. The City also borrows from the CPTF to finance capital projects, paying an annual interest rate of three percent back into the CPTF. As such, not all CPTF money is available for investment by ONE JIB. Specifically, the City intends to drawdown $1.1 million annually from all CPTF investment income/returns, which are to be available to be spent within the City's budget. These income/return needs will be generated from income on intracity borrowing from the CPTF, income on the portion of CPTF balances that are MRI, and income/returns from ONE Prudent Investment Program investments. A representative snapshot of the City's MNRI breakdown and the CPTF portion are shown in Table 2. Note that Table 2 allocations are approximate, and they identify where the CPTF investments are currently held, which is a consideration for transition planning purposes.

Table 2 – Breakdown of MNRI and CPTF Portion

Citizens Prosperity Trust Investments	**Amounts ($)**
ONE Portfolios	15,112,259
ONE HISA	917,817
Current ONE Holdings	**16,030,076**
RBC Dexia: 'in-kind' securities	5,000,000
RBC Dexia: Bonds for liquidation	5,778,477
Current RBC Dexia MNRI Holdings	**10,778,477**
Total CPTF MNRI	26,808,553
General Account MNRI	16,456,673
Total MNRI (excluding LDC)	**43,265,226**

6. Investment Allocations

6.1 Asset Allocations

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

The goals, objectives, constraints and circumstances of the City are taken into consideration when assigning asset allocations for the City using ONE Investment's Outcome-based approach. These decisions are informed by the requirement to comply with the Prudent Investor Standard as defined in the Act. The Prudent Investor 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 the City'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.

In drafting this Plan, these current economic conditions and the possible effect on inflation/deflation have been considered as follows:

- On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic. Subsequently, the Province of Ontario declared a state of emergency on March 17, 2020. The financial impact of these events on municipalities is still to be determined. Examples could include increased cash flow requirements, decreased revenue or pressure for lower property tax rate increases.
- The COVID-19 pandemic has the potential to change the economic outlook and the capital markets outlook in ways that cannot be foreseen. This should not directly affect the risk profile of the City or the implementation of this Plan.
- Prior to the COVID-19 pandemic, economic conditions have been characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. The global economy appeared to be in the later stage of an economic expansion with significant potential for deceleration of economic growth. The COVID-19 pandemic has clouded the outlook.
- The portions of MNRI that will be needed in the shorter term will be invested in investment strategies with very low risk and high liquidity (such as cash and short-term fixed income) given the economic uncertainty in the near-term.
- The portions of MNRI that are not expected to be needed over the short-term will be invested to take advantage of a longer-term investment horizon, when the current economic uncertainties will likely have subsided; the use of diversification to reduce volatility and investment in securities with a potential for higher returns such as equities and bonds is expected to achieve returns that outpace inflation.

Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Chief Investment Officer considers appropriate for the City. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining an appropriate risk profile.

6.2 Account Structure

The amounts of MNRI, as disclosed in the City's MCQ dated April 30, 2020, have been allocated into investment Outcome categories to provide guidance to ONE JIB. The allocation to each Outcome is shown in Table 3 below.

Table 3 – Account Structure

Outcome	Allocation ($)	Allocation Weight (%)	Account
Stable Return	21,800,000	57.0	CPTF
Contingency	13,465,226	35.2	General
Target Dates 3-5 yrs	3,000,000	7.8	General
Total	38,265,226	100.0	

** five million in in-kind bonds will represent MNRI that is part of the CPTF. These amounts are not represented in the table above.*

Mixes of ONE Prudent Investment Program funds and products appropriate for the City's circumstances will be used for each Outcome. Descriptions of these solutions, ONE Prudent Investment Program funds and the asset allocations for each Outcome are shown in Appendix B. Note that ONE JIB will receive $5 million in securities In-Kind from the City which will represent a portion of its MNRI which is associated with the CPTF. When these securities mature (in several years) the proceeds will be invested in the investment Outcomes in keeping with the Plan at the time of maturity.

The portion of MNRI that represents CPTF balances will be segregated into separate accounts versus the remainder of MNRI from the City's general account. This will facilitate clearer reporting of the CPTF returns and will also allow the income target objective of CPTF monies to be better demonstrated. The balances in the Stable Return Outcome of $ 21,800,000 reflect the CPTF balances in the City's MNRI. The CPTF also holds $5 million In-Kind securities which represent a portion of the City's MNRI. As these securities mature the proceeds will be invested in the ONE Prudent Investment Program funds under the CPTF account. Allocations to the Contingency and Target Date 3-5 Year Outcomes represent amounts in the general account.

The process of moving from the current investments to the target weights is outlined in the Transition Plan in Appendix D.

6.3 Stable Return Outcome

The City has identified a need to generate a stable return on certain funds, while also growing principal sufficiently to offset inflation. The Stable Return Outcome is designed to generate income that could be used to fund regular spending needs, and the City has identified the need for income/returns from investments to be incorporated within the annual City budget. The perpetual nature of monies in the CPTF and the specific objective for three percent annual returns are key considerations in allocating CPTF monies. The Stable Return Outcome is designed for this purpose. This Outcome has an allocation for 30% to equity investments which will help this Outcome generate annual returns that should contribute a significant portion of the annual income requirement, and potentially provide modest growth in capital over time. The CPTF also receives income from intracity borrowings from the CPTF and from other sources. The returns from the Stable Return Outcome and other sources should generate enough additional income for the CPTF to meet the required annual income target. About $21.8 million will be invested in the Stable Return Outcome, all of which represents CPTF monies.

All income generated from the Stable Return Outcomes will be reinvested. The annual income needs of the City may be satisfied by selling securities from the Stable Return Outcome as needed. Details of the allocation of the Stable Return Outcome are shown in Table 4. Details of all asset mix ranges are also available in Appendix B. Stable Return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

Table 4 - Stable Return Outcome

	% Weight			
Asset Class	**Min**	**Target**	**Max**	**Benchmark**
Cash	**8**	**10**	**12**	
ONE HISA		10		Bank of Canada 1 Year GIC Rate
Equity	**26**	**30**	**34**	
ONE Canadian Equity Fund		9		S&P/TSX Composite Index
ONE Global Equity Fund		21		MSCI ACWI (All Country World Index)
Fixed Income	**55**	**60**	**65**	
ONE Canadian Government Bond Fund		9		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		9		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		42		Bloomberg Barclays Multiverse Index
Total		**100**		

Stable Return Outcome returns and risk are discussed in section 6.6.

Benchmark: 10% Bank of Canada 1 Year GIC Rate + 9% x S&P/TSX Composite Total Return Index + 21% x MSCI ACWI + 9% x *blended benchmark* - Canadian Government Bonds +9% x *blended benchmark* - Canadian Corporate Bonds + 42% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.4 Contingency Outcome

The City will need to generate long-term growth for funds within the Contingency Outcome. Contingency funds may be drawn upon to meet unexpected needs and infrequent events. Emphasis on the preservation of purchasing power is a key consideration, and therefore growth in the value of the City's investments is emphasized. Details of the allocation of the Contingency Outcome are shown in Table 5. Further detail about the Contingency Outcome allocations can also be found in Appendix B. These funds will be invested according to the asset mix set out in Table 5 and will be rebalanced to ensure a consistent risk profile – rebalancing is explained in more detail in section 9. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed. The initial allocation to the Contingency Outcome will be approximately $13.5 million.

Table 5 - Contingency Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Equity	**55**	**60**	**65**	
ONE Canadian Equity Fund		18		S&P/TSX Composite Index
ONE Global Equity Fund		42		MSCI ACWI (All Country World Index)
Fixed Income	**35**	**40**	**45**	
ONE Canadian Government Bond Fund		6		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		28		Bloomberg Barclays Multiverse Index
Total		**100**		

Contingency Outcome returns and risk are discussed in section 6.6.

Benchmark: 18% x S&P/TSX Composite Total Return Index + 42% x MSCI ACWI + 6% x *blended benchmark* - Canadian Government Bonds +6% x *blended benchmark* - Canadian Corporate Bonds + 28% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.5 Target Date Outcome

Target Date Outcomes will be managed with the objective of providing for the return of principal, income and capital gains at a target date in the future. All income will be reinvested.

The City has identified about $7.3 million in funding that will be required within the next five years. The Treasurer noted that the City will transfer $5 million of In-Kind securities to ONE JIB as MNRI. These securities will be placed under the control and management of ONE JIB and will likely be transferred back to the City to fund expected future projects. This limits the amounts that will need to be liquidated from the ONE Investment Outcomes to provide funding for capital projects in the next five years. Approximately $3.0 million will be invested in the Target Date 3-5 Year Outcome, which should provide sufficient liquidity in the coming years.

Due to the relatively short-term time horizon, the monies invested in the Target Date 3-5 Year Outcome will attempt to mitigate the potential for capital loss by investing primarily in fixed income and cash-like investments. This Outcome has a small allocation to equity investments to enhance the growth potential. Details of the allocation to this Outcome are shown in Table 6. Further detail about Target Date Outcome allocations can also be found in Appendix C.

Table 6 - Target Date 3-5 Year Outcome

Asset Class	Min (% Weight)	Target (% Weight)	Max (% Weight)	Benchmark
Cash	**17**	**20**	**23**	
ONE HISA		20		Bank of Canada 1 Year GIC Rate
Equity	**8**	**10**	**12**	
ONE Canadian Equity Fund		3		S&P/TSX Composite Index
ONE Global Equity Fund		7		MSCI ACWI (All Country World Index)
Fixed Income	**66**	**70**	**74**	
ONE Canadian Government Bond Fund		10.5		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		10.5		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		49		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 3 to 5 Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 20% Bank of Canada 1 Year GIC Rate + 3% x S&P/TSX Composite Total Return Index + 7% x MSCI ACWI + 10.5% x *blended benchmark* - Canadian Government Bonds +10.5% x *blended benchmark* - Canadian Corporate Bonds + 49% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing under the Prudent Investor Standard. Table 7 below provides a projection of the expected annual returns for the City's 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. They are presented for information purposes only and actual investment results may differ materially. The source of returns (recurring income vs capital gains) is not a factor that ONE JIB actively considers for these mandates. It is largely not relevant to municipal investors because they are not subject to taxes on investment returns. The income generated from In-Kind securities has not been estimated in Table 7 and hence the projected returns/income on the total $43.3 million MNRI will be higher than shown.

Table 7- Projected Annual Returns

Outcome	Allocation Weight (%)	Expected Return	Annual Return ($) or Income Expected
Stable Return	57.0	3.8%	830,907
Contingency	35.2	4.9%	660,873
Target Dates 3-5 yrs	7.8	3.0%	90,165
Total	**100.00**	**4.1%**	**1,581,945**

* The projected overall Expected Return of the asset allocations for ONE Investment prudent investor offerings was evaluated by an external consultant, Aon. Their analysis includes a proprietary return measure that projects average annual expected returns via a Monte Carlo analysis. Actual returns may differ.

6.7 Other Accounts

The Town has no other accounts ONE JIB must consider.

7. Constraints

Besides those listed below, 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 may 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 not be used for speculative purposes except where the Extended Portfolio Managers use it in the underlying fund. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset (e.g., for currency or other hedging, to change portfolio duration or in covered call strategies).

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and investment pools (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 rigorous process with oversight by ONE JIB and One Investment. As part of its due diligence, ONE JIB obtains 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 by ONE Investment. Each investment Outcome will have target weights assigned for each holding, which collectively represent the intended asset mix for the Outcome. Minimum and maximum weights will also be assigned for asset classes, and these weights will guide the rebalancing process. Should the weight deviate outside the minimum or maximum weights noted in Appendix A, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions will be completed as soon as reasonably viable, taking into account 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.

ONE Investment will rebalance all accounts to target weights twice annually based on fixed dates: April 15 and October 15 (or the following business day). Accounts that are within a 2% threshold of the intended targets will not be rebalanced.

10. Accommodating Cashflow Needs

This Plan is intended to be dynamic and responsive to the City's changing needs. Once informed of changing needs in accordance with the ONE JIB Agreement, ONE JIB may need to revise allocations, deploy incoming monies or sell units of the investment pools accordingly. Income from investments will be automatically reinvested into the investment Outcomes where appropriate. The City's cashflow needs are expected to be financed with the sale of units of the investment pools. Any fee discounts that apply to the City are intended to be reinvested into the Target Date 3-5 Year Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

The City's investment in Synergy North Corporation, an LDC, has a strategic purpose beyond generating investment returns. While this investment is part of the responsibility of ONE JIB, it is subject to a restriction set out in the City's IPS such that ONE JIB has agreed not to dispose of or deal with that investment without the City's consent. Table 8 below describes the investment in Synergy North Corporation.

Table 8 - Local Distribution Company Shares

Investment	Type	Value, of Investment ($)
Synergy North Corporation	Local Distribution Company (LDC)	9,999,402

11.2 Transitional Investments

The MNRI that the City will transfer the control and management of to ONE JIB will be primarily funded from the proceeds of the liquidation of the City's ONE Investment Legal List Investment Program products. The City plans to sell some or all of its ONE Legal List Investment Program products. The proceeds of sale will be given to ONE JIB as MNRI.

The City also holds investments at RBC Dexia which will represent a portion of the City's MNRI. Some of the securities held at RBC Dexia will be liquidated and the proceeds will be given to ONE JIB and a portion will be transferred as securities In-Kind to ONE JIB. The City anticipates a need to fund approximately $5 million of spending for capital projects at the end of 2022 or early in 2023 and the use of the securities In-Kind will provide flexibility in addressing these and other known funding needs. More detail on transition planning is provided Appendix D.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Overall the City's investment horizon is very long, with the CPTF monies representing most of the City's MNRI. The CPTF is intended to represent a perpetual fund which provides a source of recurring income to be utilized within the City's budget. The long-term nature suggests that a significant allocation to equities will be required to provide the required growth and income that the City requires. The need to achieve growth for the monies invested with above-inflation returns also suggests a meaningful equity allocation is appropriate. The City's reserve fund balances over the next few years will be affected by ongoing expenditures, related to replacement of the wastewater treatment plant and related activities. Some balances are held as MRI to fund these projects, but there are additional capital spending needs over the next five years that may require funds from MNRI. It would appear that the balances of the City's MNRI will be relatively flat for two to three years, and then may start rising thereafter. This offers the City flexibility to invest monies for the long term. If unforeseen circumstances require MNRI to be accessed all investments are highly liquid, giving the City full flexibility to access funds as needed.

Approximately $7.3 million of MNRI was identified as having an investment horizon of two to five years. The Plan includes a transition plan where approximately $5 million of securities received In-Kind will be held to address liquidity needs in this two to five year time frame as needed. If additional shorter-term liquidity is required, balances from the Target Date 3-5 Year Outcome can also be utilized.

Overall, the City has the flexibility to assume a modest 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 39.0% of MNRI (excluding In-Kind bond portion), which is an appropriate level for the City.

Appendix A: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in the City'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;
- Revisions in MNRI;
- Desired end use of funds, especially if that is likely to affect the investment approach; and
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the MCQ on the ONE Investment website. Section 5.01 (c) of the ONE JIB Agreement requires that Participating Municipalities provide written notice to the Board Secretary of ONE JIB of any amendment or modification to its IPS. Written communication should be directed to the attention of the Chief Investment Officer at ONE@oneinvestment.ca and the ONE JIB Secretary at dkelly@oneinvestment.ca. They are considered received when ONE Investment provides a formal return email acknowledgement.

Appendix B: Description of ONE Investment Pools, Products and Outcomes

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 Class
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Cash
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity focused on Canadian Government bonds	Canadian short-term Fixed Income
ONE Canadian Corporate Bond Fund	MFS	Primarily in Canadian Corporate Bonds	Canadian Fixed Income
ONE Global Bond Fund	Manulife Investment Management	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	Mawer Investment Management	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian Capital	Canadian Equity with conservative investment approach	Canadian Equities

Investment Outcomes

The asset allocations for ONE Investment's Outcomes are detailed in the tables below. Rebalancing will be managed for these asset allocations as explained in this Plan. As asset mixes drift away from their intended target and converge on either the minimum or maximum ranges noted below, ONE Investment will rebalance the holdings to restore allocations to the intended asset mix. The Outcomes will also be rebalanced twice annually, as required, to ensure the allocations do not drift materially away from the intended targets. Note that these allocations target a maximum of 70% foreign exposure, and Canadian Bond exposure targets equal allocation to the ONE Canadian Government Bond Fund and the ONE Canadian Corporate Bond Fund.

Cash Outcome	% Weight		
	Min	Target	Max
ONE HISA	na	100	na
Total Cash		**100**	

Stable Return Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA	8	10	12	
Total Cash	**8**	**10**	12	
ONE Canadian Equity Fund		9		
ONE Global Equity Fund		21		
Total Equity	**26**	**30**	**34**	
ONE Canadian Government Bond Fund		9		1.6 – 3.6
ONE Canadian Corporate Bond Fund		9		3.0 – 6.9
ONE Global Bond Fund		42		2.0 – 6.0
Total Fixed Income	**55**	**60**	**65**	
Total Allocated		**100**		

Contingency Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		18		
ONE Global Equity Fund		42		
Total Equity	**55**	**60**	**65**	
ONE Canadian Government Bond Fund		6		1.6 – 3.6
ONE Canadian Corporate Bond Fund		6		3.0 – 6.9
ONE Global Bond Fund		28		2.0 – 6.0
Total Fixed Income	**35**	**40**	**45**	
Total Allocated		**100**		

Asset Management Reserve Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		27		
ONE Global Equity Fund		63		
Total Equity	**88**	**90**	**92**	
ONE Canadian Government Bond Fund		1.5		1.6 – 3.6
ONE Canadian Corporate Bond Fund		1.5		3.0 – 6.9
ONE Global Bond Fund		7		2.0 – 6.0
Total Fixed Income	**8**	**10**	**12**	
Total Allocated		**100**		

Target Date Outcomes:

Investments with target dates will be managed to reduce risk as the target date approaches. As time passes and the spending needs get closer, it is appropriate to reduce the amount of risk so that there is greater certainty that the funds will be available as needed. This means that reserves, reserve accounts and other balances that are assigned to target date allocation will be reassigned to a nearer dated Target Date Outcome as time passes. In this way as the spending needs grows nearer, the associated investment allocations will migrate to a lower risk Outcome.

Target Date Outcomes	Target Date 3- 5 Years			Target Date 5-10 Years			Target Date 10+ Years		
	% Weight			% Weight			% Weight		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE HISA		20			0			0	
Total Cash	**17**	**20**	**23**		**0**			**0**	
ONE Canadian Equity Fund		3			15			22.5	
ONE Global Equity Fund		7			35			52.5	
Total Equity	**8**	**10**	**12**	**45**	**50**	**55**	**71**	**75**	**79**
ONE Canadian Government Bond Fund		10.5			7.5			3.75	
ONE Canadian Corporate Bond Fund		10.5			7.5			3.75	
ONE Global Bond Fund		49			35			17.5	
Total Fixed Income	**66**	**70**	**74**	**45**	**50**	**55**	**21**	**25**	**29**
Total Allocated		**100**			**100**			**100**	

Appendix C: Performance Benchmarks for ONE Investment Funds

- The table below details the benchmarks to be used for the performance evaluation of the ONE Investment Pools.
- Blended benchmarks for the prudent investor Outcomes will be used in proportion to their target asset allocation weights.

ONE HISA	Bank of Canada 1 Year GIC Rate
ONE Canadian Equity Fund*	S&P/TSX Composite Total Return Index
ONE Global Equity Fund	MSCI ACWI (net)
ONE Canadian Government Bond Fund*	95% the DEX All Government Short Bond Index and 5% the DEX 91 Day T-Bill Index
ONE Canadian Corporate Bond Fund*	48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.
ONE Global Bond Fund	Bloomberg Barclays Multiverse Index

* Note 1: These funds have exposures that broadly parallel ONE Investment Legal List Program products and use the same performance benchmarks.

Appendix D: Transition Plan

Notwithstanding any provisions of this Plan, ONE JIB shall have the discretion to transition the City's MNRI as constituted on the Prudent Effective Date to the target allocations set out in this Plan in such manner and within such time as ONE JIB considers to be prudent and reasonable in the circumstances. For greater certainty, it shall not be a contravention of the Plan if the actual allocations for the City's MNRI are at variance from the targeted allocations set out herein, if the reason for such variance is that the transition plan has not been completed.

At the writing of this Plan, the details of the City's holdings were as follows:

The City's ONE Investment Holdings (As at May 31, 2020)	Amount
ONE Canadian Government Bond Portfolio	6,451,521
ONE Canadian Corporate Bond Portfolio	12,286,975
ONE Canadian Equity Portfolio	13,390,548
ONE Investment HISA	5,971,090
Total – ONE Investment	38,100,134

The City's RBC Dexia Holdings (as at May 31, 2020)	Amount
Bonds to be liquidated (Proceeds transferred to ONE JIB)	5,780,000
Bonds to be transferred in-kind to ONE JIB	5,000,000
Bonds to be held at RBC Dexia (MRI Investments)	3,076,312
Total – RBC Dexia	13,856,312

The objective is to move to the allocations in Table E-1 below as quickly as practicable. The settlement cycle for ONE Legal List Investment Program products is very short, so no special considerations will be needed to accommodate the transfer of these monies to ONE JIB. It is anticipated that the City will fully liquidate the ONE Investment Legal List portfolios, but will retain balances in the ONE HISA, which will reflect part of the City's MRI investments. Additional monies and securities from the RBC Dexia account will reflect the balance of MNRI. The MNRI funds and securities should be transferred by the Treasurer to ONE JIB on or before July 2, 2020.

The City has approximately $10.8 million of securities currently held at RBC Dexia that will form a portion of its MNRI. Approximately $5.8 million will be liquidated, and the proceeds will be transferred by the current investment manager to into the appropriate account at ONE Investment's custodian. The City also holds about $5 million of bonds that will be transferred to ONE JIB In-Kind. A schedule of the bonds designated as In-Kind securities under the control and management of ONE JIB will be formalized before the July 2, 2020 effective date. These In-Kind securities may be used for nearer-term liquidity needs of the City. It is anticipated that some of these In-Kind securities could be transferred back to the City to be liquidated in subsequent annual reviews, as MNRI is expected to be reduced to accommodate capital spending in the next five years. As In-Kind securities mature over time the proceeds will be invested in ONE Investment Outcomes.

ONE Investment will provide forms to the City's Treasurer to facilitate the liquidation of ONE Legal List Investment Program products. These forms will be used to provide instructions in advance of July 2, 2020, and these instructions will be acted on in conjunction with trade instructions from ONE JIB. This is intended to streamline the transition process so all trading instructions can be planned in advance and coordinated so the City's money is deployed into the ONE Prudent Investment Program offerings seamlessly. The trading instructions and forms for this transition process will differ from the routine process that municipalities used to liquidate ONE Legal List Investment Program holdings.

Below is a summary of the intended ONE Investment allocations. Table C-1 shows the allocations to the ONE Investment Outcomes while Table C-2 reflects the consolidated allocations by funds that is implied. Neither table reflects the $5 million designated as In-Kind securities.

Table C-1 – Kenora's Outcomes

Outcome	Allocation ($)	Allocation Weight (%)	Account
Stable Return	21,800,000	57.0	CPTF
Contingency	13,465,226	35.2	General
Target Dates 3-5 yrs	3,000,000	7.8	General
Total	38,265,226	100.0	

Table C-2 – Kenora's Consolidated Holdings

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	2,780,000	7.3
ONE Canadian Equity Fund	4,475,741	11.7
ONE Global Equity Fund	10,443,395	27.3
ONE Canadian Govenrment Bond Fund	3,084,914	8.1
ONE Canadian Corporate Bond Fund	3,084,914	8.1
ONE Global Bond Fund	14,396,263	37.6
Total	**38,265,226**	**100.0**

Holding weights will be maintained within the asset allocation bands identified in section 6 of this Plan until instructed otherwise. It is intended that the Stable Return Outcome reflect balances in the CPTF and as such it may required to be identified as being in a separate account from other portions of the City's investments.

Appendix E: Transferring Funds

These procedures will be provided at a later date.

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REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer and
Colin Macdonald, Manager of Investments
Date: June 23, 2020
Re: Investment Report and Investment Plan – District of Muskoka
Report: 20-019

1. RECOMMENDATIONS

It is recommended that:

1. The Board approve Muskoka's Investment Plan (Attachment 1)

2. The Chief Investment Officer notify the Board of any in-year changes to Muskoka's Investment Policy Statement and any related implications for the Investment Plan

3. The Chief Investment Officer review the Investment Plan in Q1 2021 and present a revised Investment Plan for approval by Q2 2021

4. The Chief Investment Officer develop a performance report for Muskoka Council for the Board's consideration by Q1 2021

2. SUMMARY

Muskoka has agreed to be a Founding Municipality in the creation of the ONE Joint Investment Board (ONE JIB). As part of the process under the applicable provincial regulation, the Board must develop and approve an Investment Plan for the District of Muskoka.

Key Points:

- Muskoka will initially allocate $127.8 million to the Prudent Investor Standard, with $125.5 million available for investment.

- Muskoka's Investment Policy Statement (IPS) and Municipal Client Questionnaire (MCQ) were presented and received by the ONE JIB at the May 20, 2020 meeting. Details can be found in ONE JIB Report #20-011 -Appendix 7.

- The District holds $2.3 million of Muskoka debentures that have been repurchased in the market, which represent MNRI investments. These debentures will be held until maturity.

- Muskoka's investment is expected to grow by 3 to 4% annually beginning in 2023, after near-term reserve drawdowns for major capital projects.

- Expected annual returns based on the allocations in the proposed Investment Plan are in the range of 4.0%.

- The Investment Plan includes a quick transition of funds to ONE JIB, as Muskoka's contribution is mostly invested in the ONE Legal List Investment Program and other liquid assets.

The proposed investment allocations, which reflect consolidated holdings across ONE Investment outcomes are presented below:

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	11,179,648	8.9
ONE Canadian Equity Fund	13,146,388	10.5
ONE Global Equity Fund	30,674,904	24.4
ONE Canadian Govenrment Bond Fund	10,577,758	8.4
ONE Canadian Corporate Bond Fund	10,577,758	8.4
ONE Global Bond Fund	49,362,869	39.3
Total	**125,519,324**	**100.0**

Other	Estimated Value ($)
Muskoka Debentures Owned	2,268,000

3. BACKGROUND

Council has approved the application of the Prudent Investor Standard to a portion of Muskoka's investments

The District's staff have worked with ONE staff and other Founding Municipalities to prepare the documentation and obtain the approvals needed to establish the ONE JIB. This included completing the Municipal Client Questionnaire and developing an Investment Policy Statement, which together reflect the investment needs, objectives, risk tolerances and constraints of the District. The investment plan reflects this context.

Council considered the transition to the Prudent Investor Standard on three occasions. On May 21, 2019, Council approved further due diligence to determine the best approach to move to the Prudent Investor Standard, including participation as a Founding Municipality in the establishment of the ONE Joint Investment Board. On November 18, 2019, Council approved the development of an Investment Policy Statement and the preparation of documents to establish the ONE JIB with other Founding Municipalities. On March 25, 2020, Council approved its Investment Policy Statement, which permits investment under the Prudent Investor Standard, and authorized execution of the Initial Formation Agreement and the ONE JIB Agreement. Council also received for information the draft Investment Plan prepared by ONE staff.

The District's overall investment objective is moderate growth at moderate levels of risk, resulting in above-inflation returns

The Regulation requires municipalities to consider the following matters under the prudent investor regime:

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

Muskoka's Investment Policy Statement verifies that the District has taken these considerations into account in setting its investment objectives, and the Investment Plan provides further explanation.

The majority of Muskoka's MNRI is very long term in nature. Investment allocations should be reflective of the longer-term nature of the underlying reserves and reserve accounts. Some liquidity will be required within the Investment Plan, as a portion of their MNRI will be used to fund known near term spending. The District's overall investment objective is moderate growth at moderate levels of risk, resulting in above-inflation returns based on the Consumer Price Index.

ONE JIB uses an outcome-based approach to translate municipal needs and goals into investment allocations. A draft of the Outcomes Framework was presented to Council for information at its March 25, 2020 meeting. Once the ONE JIB was legally constituted and able to deliberate the Outcomes Framework was refined and approved May 20, 2020 (see ONE JIB Report #20-011 – Appendix 7). Table 1 below shows details of the ONE JIB approved Outcomes Framework, which classifies investments into four Outcome categories: Cash, Contingency, Stable Return and Target Date outcomes. The revised outcomes are in alignment with Muskoka's investment objectives, risk profile and time frames. Muskoka's Investment Plan assigns investment allocations based on the outcome mapping in Table 1. The allocations are reflective of the objectives, characteristics and investment horizon and risk tolerance of the District. The characteristics of the District's reserves, reserve funds or other balances were considered when building investment allocations in the Investment Plan.

Table 1 - Investment Objectives and Outcomes

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

Muskoka repurchases their own debentures, which impacts MNRI

Muskoka issues publicly traded debentures, which they will repurchase prior to maturity when it is attractive to do so. These debentures holdings are recognized as MNRI if the remaining term to maturity exceeds 18 months. Currently the District holds about $2.3 million of repurchased debentures with maturities exceeding 18 months. The District will retain custody of these debentures and will inform ONE JIB when other debenture repurchases take place. Holdings of repurchased debentures will not affect the investment allocation of other MNRI discussed in the Investment Plan. Muskoka's IPS prohibits ONE JIB from selling repurchased debentures without the consent of the District.

4. ANALYSIS

Muskoka has approximately $125.5. million in investible MNRI

At the end of 2019, the Municipality had reserves and reserve funds totalling approximately $162.8 million, with approximately $127.8 classified as MNRI. After accounting for the approximately $2.3 million in repurchased debentures, the District has approximately $125.5 million available to be invested by ONE JIB. Beginning in 2020-21, the District has major pre-planned capital expenditures with an estimated total project cost of $33 million.

The District has used a time-based threshold of 18 months to define MNRI

Under the Act, municipalities can only invest MNRI, whether they choose to invest in the legal list or under the Prudent Investor Standard. For the purpose of the Prudent Investor Standard, it is necessary to define MNRI within the Investment Policy Statement because control of the funds is delegated to an investment board. ONE Investment provided guidance on best practices in determining the definition of MNRI, and the District determined that 18 months was appropriate.

Muskoka anticipates significant growth in its investments over the next eight years

After the completion of near-term projects leading to a decline in total MNRI, the District expects capital reserves to grow by approximately 3-4% annually. These reserves are expected to reach approximately $280 million by 2028.

The Investment Plan contains an asset allocation and allocations to specific funds

The Investment Plan provides asset allocations according to Muskoka's investment objectives and risk tolerance, as shown in Table 2. These allocations are based on the District's Investment Policy Statement, which describes the objectives, risk tolerance, liquidity and investment horizon for the reserves that make up MNRI.

Table 2 - Asset Allocation

Outcome	Total Invested ($)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Cash	1,929,952	1.5	100	-	-	100
Contingency	5,259,979	4.2	-	40	60	100
Target Date 3-5 yrs	46,248,480	36.8	20	70	10	100
Target Date 5-10 yrs	72,080,913	57.4	-	50	50	100
Total	**125,519,324**	**100.0**				

The Investment Plan then allocates these amounts to ONE Prudent Investment's fund offerings, as shown in Table 3. Table 4 provides the same information in percentage, showing how the fund holdings are held within each of the Outcomes. Table 5 provides a summary of the allocations by fund.

Table 3 - Investment Mix (Amounts in $)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Cash	1,929,952	-	-	-	-	-	1,929,952
Contingency	-	946,796	2,209,191	315,599	315,599	1,472,794	5,259,979
Target Date 3-5 yrs	9,249,696	1,387,454	3,237,394	4,856,090	4,856,090	22,661,755	46,248,480
Target Date 5-10 yrs	-	10,812,137	25,228,320	5,406,068	5,406,068	25,228,320	72,080,913
Target Date 10+ Years	-	-	-	-	-	-	-
Total	**11,179,648**	**13,146,388**	**30,674,904**	**10,577,758**	**10,577,758**	**49,362,869**	**125,519,324**

Table 4 - Investment Mix (%)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Cash	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%
Contingency	0.0%	0.8%	1.8%	0.3%	0.3%	1.2%	4.2%
Target Date 3-5 yrs	7.4%	1.1%	2.6%	3.9%	3.9%	18.1%	36.8%
Target Date 5-10 yrs	0.0%	8.6%	20.1%	4.3%	4.3%	20.1%	57.4%
Total	**8.9%**	**10.5%**	**24.4%**	**8.4%**	**8.4%**	**39.3%**	**100.0%**

Table 5 - Summary of Allocations by Fund

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	11,179,648	8.9
ONE Canadian Equity Fund	13,146,388	10.5
ONE Global Equity Fund	30,674,904	24.4
ONE Canadian Govenrment Bond Fund	10,577,758	8.4
ONE Canadian Corporate Bond Fund	10,577,758	8.4
ONE Global Bond Fund	49,362,869	39.3
Total	**125,519,324**	**100.0**

The specific allocations to each one of the Outcomes noted above were based on input from the Investment Policy Statement and Municipal Client Questionnaire as well as discussions with the Treasurer. The purpose and characteristics of each reserve and reserve account were mapped to each of these Outcomes, which determined the dollar amount assigned to each Outcome.

The consolidated allocations have an overall exposure of 34.9% to equity investments, which is appropriate considering Muskoka's goals to generate moderate growth with a moderate level of risk. The risk profile may move higher over time as monies deployed for relatively near-term funding needs are drawn down.

The average annual expected return on Muskoka's investments is approximately 4.0%

In its Municipal Client Questionnaire, Muskoka expressed annual return expectations in the range of -5% to +5%.

The overall estimated annual return for the asset allocations and fund mix in the Investment Plan is 4.0%. The expected returns by investment objective (see May 20, 2020 ONE JIB Report 20-010 for details on the basis of the investment projections) are:

- Cash Outcome: 0.9%
- Contingency Outcome: 4.9%
- Target Date 3-5 Year Outcome: 3.0%
- Target Date 5-10 Year Outcome: 4.6%

The Investment Plan contemplates moving to the Prudent Investor Standard investment allocations as quickly and cost effectively as possible

Most of Mukoka's MNRI that is moving to the ONE JIB is in ONE Legal List Investment funds. As these investments can be liquidated in a few days, no special considerations will be needed to accommodate the transition of these investments to the ONE JIB. The District may provide additional funding from cash and other short-term investments. This transition plan is elaborated in greater detail in appendix E of the Investment Plan.

5. CONCLUSION

Muskoka's Council has approved an Investment Policy Statement and other documentation to enable it to adopt the Prudent Investor Standard and become a Founding Municipality for the ONE JIB.

The proposed Investment Plan is consistent with the District's Investment Policy Statement. The proposed asset mix and fund allocations reflect the District's investment objectives and risk preferences expressed in its Investment Policy Statement and Municipal Client Questionnaire. Initial allocations to equities under the Investment Plan will be 34.9% but as MNRI is drawn down over the next five years, overall equity weight will increase. Considering the relatively low risk profile of the ONE JIB's fund offerings, the consolidated allocations have a modest risk profile.

As result, the Investment Plan is appropriate for the District's objectives, risk tolerance, time horizons, and available MNRI.

Prepared by: Colin Macdonald, Manager of Investment Services and Keith Taylor, Chief Investment Officer

Approved for Submission by: Evelyn Foo, Chief Compliance Officer

District of Muskoka
(District or Muskoka)

Investment Plan

Date: July 2, 2020

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

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Contents

1. **Definitions**
(Note that terms and definitions used in this Investment Plan have the same meaning as those defined in the Investment Policy Statement)

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

Agency Agreement: means the Agency Agreement dated May 31, 1999 as amended and restated on March 1, 2010, between CHUMS and LAS as Agent and each Eligible Investor (as defined therein) under which such Eligible Investor participates in the ONE Legal List Investment Program, as amended, supplemented or replaced from time to time.

Asset Allocation (Asset Mix): means the proportion of each asset class in a portfolio or allocation.

Asset Class: means 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: 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"). 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;

HISA: means the ONE High Interest Savings Account. This is an investment product created by ONE Investment that offers competitive interest rates on daily balances. It functions in a similar way as a bank account in that it pays interest and funds can be withdrawn on demand without triggering investment gains or losses.

In-Kind: means assets/securities instead of cash. In certain cases, municipalities may transfer securities to ONE JIB that reflect a portion of their MNRI instead of remitting only cash to ONE JIB. As these securities mature ONE JIB would invest the proceeds into the investment Outcomes specified in the Investment Plan.

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

Long-Term Funds: means money not required immediately (MNRI) by Muskoka.

Municipal Client Questionnaire: means 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.

Muskoka Debentures: means debentures issued by the District that are not secured by collateral and are backed by the general creditworthiness of the issuer. The District sometimes will repurchase some of its outstanding debentures that the District issued in previous years opportunistically. These debentures are held until maturity. Repurchased District debentures are considered MNRI if their remaining term to maturity exceeds eighteen months.

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

ONE Joint Investment Board (ONE JIB): means the joint board established by certain founding municipalities as a municipal services board under section 202 of the Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for the District of 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 July 2, 2020, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the District's Long-Term Funds.

ONE Legal List Investment Program: means the program for joint municipal investment in which municipalities and other eligible investors invest under the Agency Agreement.

ONE Prudent Investment Program: means the program for municipal investment in which a municipality has appointed ONE JIB as such municipality's Joint Investment Board and has entered into the ONE JIB Agreement

Outcome: means in the context of the Investment Plan the same thing as 'solutions'. Investment outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each municipal investor are intended to reflect the needs and circumstances of the municipality.

Prudent Investor Standard: means the standard requiring 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 the Districts's Long-Term Funds under control of ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

Short-Term Funds: means money that is required immediately (MRI) by a municipality. Muskoka's IPS defines MRI as funds that are to be used to meet financial obligations within the next eighteen (18) month period.

2. Purpose of Investment Plan

As required under the Act's prudent investor regime, this Investment Plan (Plan) establishes how ONE JIB will invest Muskoka's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with the Muskoka's IPS adopted by Council on March 25, 2020 and is based on the information in the Municipal Client Questionnaire dated April 17, 2020. It was presented to ONE JIB at the May 20, 2020 meeting in Report # 20-011 – Investment Outcomes. 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.

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 reviews to monitor compliance with the Act, the Regulation and Muskoka's IPS.

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 an MCQ as part of its annual review. It is Muskoka's responsibility to update the MCQ on a timely basis and to ensure that ONE Investment is aware of any needs that are not addressed in the MCQ 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 MCQ, IPS and other issues is set out in Appendix A. The process for moving funds in or 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 by ONE Investment's custodian, with the exception of the Muskoka Debentures repurchased by the District. Additionally, securities In-Kind will be under the control and management of ONE JIB but may be held for safekeeping by a custodian acceptable to ONE JIB.

5. Investment Goals and Objectives

Returns on investments have an impact on Muskoka's revenues, and therefore a longer-term impact on future years' budgets and are intended to 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;
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available to spend as/if needed; and,
c. Funding target date projects, where Muskoka has an obligation for a specific project at a specific time.

Muskoka has identified the following details in Table 1 of its investment objectives for its MNRI according to the classification scheme initially developed for ONE JIB.

Table 1 - Outcomes as Disclosed in Muskoka's IPS

Investment Outcome	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
Stable Return	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

Muskoka's investment needs described in its IPS provide Council's guidance to ONE JIB in determining investment allocations. Additional context from the MCQ and dialogue with the

Treasurer were used to interpret the details in Table 1. This informs ONE JIB about Muskoka's current goals, objectives, circumstances, and risk tolerance, and helps direct how investment allocations will be determined.

Once ONE JIB was legally constituted and able to consider the Outcomes Framework, the framework was refined and approved on May 20, 2020 (see ONE JIB Report #20-011). The approved Outcomes Framework differs somewhat from the Outcome mapping in Table 1 that was presented to Council. This Plan has interpreted the goals and objectives as disclosed by the District within the context of the Outcome mapping in Table 2 below. The allocation of the District's MNRI within this framework in Table 2 is consistent with the details as disclosed in the District's IPS and MCQ.

Table 2 - ONE JIB Outcome Framework

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

While individually Muskoka's accounts/reserves are expected to require liquidity, collectively they provide Muskoka with 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. However, at present all ONE Investment funds are designed to be highly liquid. Less liquid investments may become available through ONE Investment at a later date.

Muskoka has significant spending needs, approximately $33 million, through 2022, for a pre-planned capital expenditure. The project is being funded without significantly drawing down MNRI. Muskoka has retained sufficient balances in its MRI to fund its near-term capital projects. This should allow the bulk of the MNRI to be invested for long-term time horizons.

6. Investment Allocations

6.1 Asset Allocations

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

The goals, objectives, constraints and circumstances of Muskoka are taken into consideration when assigning asset allocations for Muskoka using ONE Investment's Outcome-based approach. These decisions are informed by the requirement to comply with the Prudent Investor Standard as defined in the Act. The Prudent Investment 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.

In drafting this Plan, these current economic conditions and the possible effect on inflation/deflation have been considered as follows:

- On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic. Subsequently, the Province of Ontario declared a state of emergency on March 17, 2020. The financial impact of these events on municipalities is still to be determined. Examples could include increased cash flow requirements, decreased revenue or pressure for lower property tax rate increases.
- The COVID-19 pandemic has the potential to change the economic outlook and the capital markets outlook in ways that cannot be foreseen. This should not directly affect the risk profile of Muskoka or the implementation of this Plan.
- Prior to the COVID-19 pandemic, economic conditions have been characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. The global economy appeared to be in the later stage of an economic expansion with significant potential for deceleration of economic growth. The COVID-19 pandemic has clouded the outlook.
- The portions of MNRI that will be needed in the shorter term will be invested in investment strategies with very low risk and high liquidity (such as cash and short-term fixed income) given the economic uncertainty in the near-term.
- The portions of MNRI that are not expected to be needed over the short-term will be invested to take advantage of a longer-term investment horizon, when the current economic uncertainties will likely have subsided; the use of diversification to reduce volatility and investments in securities with a potential for higher returns such as equities and bonds is expected to achieve returns that outpace inflation.

Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Chief Investment Officer considers appropriate for Muskoka. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining an appropriate risk profile.

6.2 Account Structure

The amounts of MNRI, as disclosed in the District's MCQ dated April 17, 2020, have been allocated to investment Outcome categories to provide guidance to ONE JIB in investing these monies.

In summary, the total allocation to each Outcome is shown in Table 3:

Table 3 - Muskoka's Investment Outcomes

Outcome	Allocation ($)	Allocation Weight (%)
Cash	1,929,952	1.54
Contingency	5,259,979	4.19
Target Date 3-5 yrs	46,248,480	36.85
Target Date 5-10 yrs	72,080,913	57.43
Total	**125,519,324**	**100.00**

Mixes of Prudent Investor Program funds and products appropriate for Muskoka's circumstances will be used for each Outcome. Descriptions of these Outcomes and the asset allocations for each solution are shown in Appendix B.

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

6.3 Cash Outcome

Cash allocations are appropriate for relatively short-term funding needs of the District. If the funds are anticipated to be drawn down within three years it is most appropriate to emphasize capital preservation. Longer term investments are able to assume more risk and potentially absorb capital losses as there is ample time for the investment value to recover. Monies in the Cash Outcome will be invested in the ONE HISA, which has a very remote possibility for loss of capital. Muskoka has approximately $1.9 million that will be allocated to the Cash Outcome. Details of the allocation of the Cash Outcome are shown in Table 4. Further detail about the Cash Outcome allocations can also be found in Appendix B. Monies in the Cash Outcome are expected to be reclassified as MRI over the next few years. All interest earned in the Cash Outcome will be reinvested in this Outcome.

Table 4 - Table A: Cash Outcome

	% Weight			
Asset Class	**Min**	**Target**	**Max**	**Benchmark**
Cash	**100**	**100**	**100**	
ONE HISA		100		Bank of Canada 1 Year GIC Rate
Total		**100**		

Cash Outcome returns and risk are discussed in section 6.6.
Benchmark: Bank of Canada 1 Year GIC Rate. There is no active management involved with HISA (High Interest Savings Account) balances.

6.4 Contingency Outcome

Muskoka will need to generate long-term growth for funds in the Contingency Outcome. Contingency funds may be drawn upon to meet unexpected needs and infrequent events. Emphasis on the preservation of purchasing power is a key consideration, and therefore growth in the value of Muskoka's investments is emphasized. Details of the allocation of the Contingency Outcome are shown in Table 5. Further detail about the Contingency Outcome allocations can also be found in Appendix B. These funds will be invested according to the asset mix set out in Table 5 and will be rebalanced to ensure a consistent risk profile – rebalancing is explained in more detail in section 9. All income will be reinvested to facilitate continued long-term growth in the funds until they are needed. The initial allocation to the Contingency Outcome will be approximately $5.3 million.

Table 5 - Contingency Outcome

	% Weight			
Asset Class	**Min**	**Target**	**Max**	**Benchmark**
Equity	**55**	**60**	**65**	
ONE Canadian Equity Fund		18		S&P/TSX Composite Index
ONE Global Equity Fund		42		MSCI ACWI (All Country World Index)
Fixed Income	**35**	**40**	**45**	
ONE Canadian Government Bond Fund		6		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		28		Bloomberg Barclays Multiverse Index
Total		**100**		

Contingency Outcome returns and risk are discussed in section 6.6.

Benchmark: 18% x S&P/TSX Composite Total Return Index + 42% x MSCI ACWI + 6% x *blended benchmark* - Canadian Government Bonds +6% x *blended benchmark* - Canadian Corporate Bonds + 28% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.5 Target Date Outcome

Target Date Outcomes will be managed with the objective of providing for the return of principal, income and capital gains at a target date range in the future. Most of the District's MNRI is intended to be invested in Target Date Outcomes, and most of the target date money is long-term in nature. All income will be reinvested.

The largest portion of funds in coming years will be to finance $33 million pre-planned capital expenditures for a capital project in respect of which the District expects with work to be completed in 2023. 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 expenditures. This means that MNRI will not be affected by these large spending needs. MNRI is anticipated to start increasing significantly beginning in 2023.

A relatively small portion of MNRI will be invested in the Cash Outcome to fund some of the nearer term commitments required from MNRI. Additional funding will be needed within 5 years for some of the projects noted above. Approximately $46.2 million will be invested in the Target Date 3-5 Year Outcome for these purposes, which the District can draw down as needed. Table 5 details how the Target Date 3-5 Year Outcome will be invested. Further detail about the Target Date Outcomes can found in Appendix B.

Table 6 - Target Date 3-5 Year Outcome

	% Weight			
Asset Class	**Min**	**Target**	**Max**	**Benchmark**
Cash	**17**	**20**	**23**	
ONE HISA		20		Bank of Canada 1 Year GIC Rate
Equity	**8**	**10**	**12**	
ONE Canadian Equity Fund		3		S&P/TSX Composite Index
ONE Global Equity Fund		7		MSCI ACWI (All Country World Index)
Fixed Income	**66**	**70**	**74**	
ONE Canadian Government Bond Fund		10.5		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		10.5		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		49		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 3 to 5 Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 20% Bank of Canada 1 Year GIC Rate + 3% x S&P/TSX Composite Total Return Index + 7% x MSCI ACWI + 10.5% x *blended benchmark* - Canadian Government Bonds +10.5% x *blended benchmark* - Canadian Corporate Bonds + 49% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

A larger allocation of about $72.1 million will be assigned to the Target Date 5-10 Year Outcome to reflect the reserves with longer time horizons. The majority of funds assigned to this Outcome are program and development charge reserve funds for capital projects (e.g., roads, water, wastewater infrastructure) and debt reduction in the 5 to 10-year time horizon. Amounts allocated to the Target Date 5–10 Year Outcomes reflect the intended time horizon and risk profile for relevant reserve accounts, where near term liquidity is less relevant. The Target Date 5–10 Year Outcome has a 50% allocation to equities. As monies invested in this Outcome typically consist of reserves for future capital projects, growth in the value of investments is important to help offset the impact of inflation on project costs. Table 7 details how the Target Date 5-10 Year Outcome will be invested.

Table 7 – Target Date 5-10 Year Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Equity	**45**	**50**	**55**	
ONE Canadian Equity Fund		15		S&P/TSX Composite Index
ONE Global Equity Fund		35		MSCI ACWI (All Country World Index)
Fixed Income	**45**	**50**	**55**	
ONE Canadian Government Bond Fund		7.5		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		7.5		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		35		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 5 to 10 Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 15% x S&P/TSX Composite Total Return Index + 35% x MSCI ACWI + 7.5% x *blended benchmark* - Canadian Government Bonds +7.5% x *blended benchmark* - Canadian Corporate Bonds + 35% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.6 Projected Investment Returns

The prospect for improved returns with acceptable levels of investment risk is a key consideration for any municipality investing under the Prudent Investor Standard. Table 8 below provides a projection of the annual returns for each of Muskoka's 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. They are presented for information purposes only, and actual investment results may differ materially. The source of returns (recurring income vs capital gains) is not a factor that ONE JIB actively considers for these mandates. It is largely not relevant to municipal investors because they are not subject to taxes on investment returns.

Table 8 – Projected Annual Returns

Outcome	Expected Return	Allocation Weight (%)
Cash	0.9%	1.5
Contingency	4.9%	4.2
Target Date 3-5 yrs	3.0%	36.8
Target Date 5-10 yrs	4.6%	57.4
Overall	**4.0%**	**100.00**

* The projected overall Expected Return of the asset allocations for ONE Investment prudent investor offerings was evaluated by an external consultant, Aon. Their analysis includes a proprietary return measure that projects average annual expected returns via a Monte Carlo analysis. Actual returns may differ.

The return profile of MNRI projected above is biased downward due to the large balances that are earmarked to be used to fund projects over the next five years, which limits the ability of ONE 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 a higher rate of return will likely be achieved as the porfolio transitions to a more growth-oriented position.

6.7 Other Accounts

The District has no other accounts ONE JIB must consider.

7. Constraints

Besides those listed below, 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 may 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 not be used for speculative purposes except where the External Portfolio Managers use it in the underlying fund. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset (e.g., for currency or other hedging, to change portfolio duration or in covered call strategies).

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and investment pools (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 rigorous 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 by ONE Investment. Each investment Outcome will have target weights assigned for each holding, which collectively represent the intended asset mix for the Outcome. Minimum and maximum weights will also be assigned for asset classes, and these weights will guide the rebalancing process. Should the weight deviate outside the minimum or maximum weights noted in Appendix B, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions will be completed as soon as reasonably viable, taking into account 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.

ONE Investment will rebalance all accounts to target weights twice annually based on fixed dates: April 15 and October 15 (or the following business day). Accounts that are within a 2% threshold of the intended targets will not be rebalanced.

10. Accommodating Cashflow Needs

This Plan is intended to be dynamic and responsive to changing. Once informed of changing needs in accordance with the ONE JIB Agreement, ONE JIB may need to revise allocations, deploy incoming monies or sell units of the investment pools accordingly. Income from investments will be automatically reinvested into the investment Outcomes where appropriate. Muskoka's cashflow needs are expected to be financed with the sale of units of the investment pools. Any fee discounts that apply to Muskoka are intended to be reinvested into the Cash Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

The District issues debentures which are sold to the public. From time to time the Treasurer may repurchase some of these debentures when pricing is attractive. These repurchased debentures will not be immediately retired and will instead be held to the maturity date of the debenture. These Muskoka Debentures are part of Muskoka's MNRI if the remaining term to maturity exceeds 18 months. Table 9 identifies Muskoka Debentures that constitutes MNRI. They are subject to a restriction set out in Muskoka's IPS such that ONE JIB has agreed not to dispose of or deal with that investment without Muskoka's consent. Holdings in repurchased Muskoka Debentures will not impact or influence the investment allocation of other MNRI discussed in this Plan.

Table 9 – Muskoka Debenture Holdings (MNRI)

Issue	Maturity	Face value
Muskoka 4.75%	May-22	$ 325,000
Muskoka 4.8%	May-23	78,000
Muskoka 4.8%	May-23	11,000
Muskoka 4.9%	May-24	46,000
Muskoka 4.95%	May-25	211,000
Muskoka 5.0%	May-26	95,000
Muskoka 5.0%	May-26	10,000
Muskoka 5.05%	May-27	95,000
Muskoka 5.05%	May-27	50,000
Muskoka 5.05%	May-27	150,000
Muskoka 5.05%	May-28	185,000
Muskoka 5.05%	May-28	175,000
Muskoka 5.1 %	May-29	400,000
Muskoka 5.1 %	May-30	31,000
Muskoka 5.1 %	May-30	106,000
Muskoka 2.95%	Nov-30	100,000
Muskoka 3.00%	Nov-31	100,000
Muskoka 3.05%	Nov-32	100,000
Total		**$ 2,268,000**

11.2 Transitional Investments

MNRI that Muskoka will transfer the control and management of o ONE JIB will consist of available cash and the proceeds from the liquidation of Muskoka's ONE Legal List Investment Program products. Muskoka will liquidate $29 million in bonds to raise cash for this purpose.

Muskoka plans to sell some or all of its ONE Legal List Investment Program products. The proceeds of sale will be given to ONE JIB as MNRI. More information on the transition planning is provided in Appendix D.

12. Comments by Chief Investment Officer

Certain qualitative factors were considered in assigning the investment allocations. Muskoka's reserve fund balances over the next few years will be affected by ongoing capital expenditures. Balances are held as MRI to fund these projects, so the large near-term spending will not impact the balances in MNRI. Muskoka has significant spending needs in the next two to three years and MNRI would start rising thereafter. This offers Muskoka flexibility to invest the bulk of its MNRI 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 needed.

One of the investment considerations for Muskoka is to achieve growth with above-inflation returns. Due to the longer-term time horizon involved for most of Muskoka's accounts and the need for returns to exceed inflation, allocation to equities is appropriate

Muskoka has cashflow flexibility in coming years and there is a significant portion of MNRI that will not be needed in the next five years. Aside from the funding for the specified near-term needs, Muskoka has the flexibility to assume a moderate risk profile for the consolidated portfolio with investment allocations reflecting the relatively long time horizon associated with Muskoka's MNRI. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at 34.9%, which is an appropriate level for Muskoka. Equity allocations will tend to increase as money is drawn down from the Cash Outcome and Target Date 3-5 Year Outcome over the next few years.

Appendix A: 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;
- Revisions in MNRI;
- Desired end use of funds, especially if that is likely to affect the investment approach; and
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the MCQ on the ONE Investment website. Section 5.01 (c) of the ONE JIB Agreement requires that Participating Municipalities provide written notice to the Board Secretary of ONE JIB of any amendment or modification to its IPS. Written communication should be directed to the attention of the Chief Investment Officer at ONE@oneinvestment.ca and the ONE JIB Secretary at dkelly@oneinvestment.ca. They are considered received when ONE Investment provides a formal return email acknowledgement.

Appendix B: Description of ONE Investment Pools, Products and Outcomes

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 Class
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Cash
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity focused on Canadian Government bonds	Canadian short-term Fixed Income
ONE Canadian Corporate Bond Fund	MFS	Primarily in Canadian Corporate Bonds	Canadian Fixed Income
ONE Global Bond Fund	Manulife Investment Management	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	Mawer Investment Management	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian Capital	Canadian Equity with conservative investment approach	Canadian Equities

Investment Outcomes

The asset allocations for ONE Investment's Outcomes are detailed in the tables below. Rebalancing will be managed for these asset allocations as explained in this Plan. As asset mixes drift away from their intended target and converge on either the minimum or maximum ranges noted below, ONE Investment will rebalance the holdings to restore allocations to the intended asset mix. The Outcomes will also be rebalanced twice annually, as required, to ensure the allocations do not drift materially away from the intended targets. Note that these allocations target a maximum of 70% foreign exposure, and Canadian Bond exposure targets equal allocation to the ONE Canadian Government Bond Fund and the ONE Canadian Corporate Bond Fund.

Cash Outcome	% Weight		
	Min	Target	Max
ONE HISA	na	100	na
Total Cash		**100**	

Stable Return Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA	8	10	12	
Total Cash	**8**	**10**	12	
ONE Canadian Equity Fund		9		
ONE Global Equity Fund		21		
Total Equity	**26**	**30**	**34**	
ONE Canadian Government Bond Fund		9		1.6 – 3.6
ONE Canadian Corporate Bond Fund		9		3.0 – 6.9
ONE Global Bond Fund		42		2.0 – 6.0
Total Fixed Income	**55**	**60**	**65**	
Total Allocated		**100**		

Contingency Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		18		
ONE Global Equity Fund		42		
Total Equity	**55**	**60**	**65**	
ONE Canadian Government Bond Fund		6		1.6 – 3.6
ONE Canadian Corporate Bond Fund		6		3.0 – 6.9
ONE Global Bond Fund		28		2.0 – 6.0
Total Fixed Income	**35**	**40**	**45**	
Total Allocated		**100**		

Asset Management Reserve Outcome	% Weight			Duration
	Min	Target	Max	(Years)
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		27		
ONE Global Equity Fund		63		
Total Equity	**88**	**90**	**92**	
ONE Canadian Government Bond Fund		1.5		1.6 – 3.6
ONE Canadian Corporate Bond Fund		1.5		3.0 – 6.9
ONE Global Bond Fund		7		2.0 – 6.0
Total Fixed Income	**8**	**10**	**12**	
Total Allocated		**100**		

Target Date Outcomes:

Investments with target dates will be managed to reduce risk as the target date approaches. As time passes and the spending needs get closer, it is appropriate to reduce the amount of risk so that there is greater certainty that the funds will be available as needed. This means that reserves, reserve accounts and other balances that are assigned to target date allocation will be reassigned to a nearer dated Target Date Outcome as time passes. In this way as the spending needs grows nearer, the associated investment allocations will migrate to a lower risk Outcome.

Target Date Outcomes	Target Date 3- 5 Years			Target Date 5-10 Years			Target Date 10+ Years		
	% Weight			% Weight			% Weight		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE HISA		20			0			0	
Total Cash	**17**	**20**	**23**		**0**			**0**	
ONE Canadian Equity Fund		3			15			22.5	
ONE Global Equity Fund		7			35			52.5	
Total Equity	**8**	**10**	**12**	**45**	**50**	**55**	**71**	**75**	**79**
ONE Canadian Government Bond Fund		10.5			7.5			3.75	
ONE Canadian Corporate Bond Fund		10.5			7.5			3.75	
ONE Global Bond Fund		49			35			17.5	
Total Fixed Income	**66**	**70**	**74**	**45**	**50**	**55**	**21**	**25**	**29**
Total Allocated		**100**			**100**			**100**	

Appendix C: Performance Benchmarks for ONE Investment Funds

- The table below details the benchmarks to be used for the performance evaluation of the ONE Investment Pools.
- Blended benchmarks for the prudent investor Outcomes will be used in proportion to their target asset allocation weights.

ONE HISA	Bank of Canada 1 Year GIC Rate
ONE Canadian Equity Fund*	S&P/TSX Composite Total Return Index
ONE Global Equity Fund	MSCI ACWI (net)
ONE Canadian Government Bond Fund*	95% the DEX All Government Short Bond Index and 5% the DEX 91 Day T-Bill Index
ONE Canadian Corporate Bond Fund*	48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.
ONE Global Bond Fund	Bloomberg Barclays Multiverse Index

* Note 1: These funds have exposures that broadly parallel ONE Investment Legal List Program products and use the same performance benchmarks.

Appendix D: Transition Plan

Notwithstanding any provisions of this Plan, ONE JIB shall have the discretion to transition the District's MNRI as constituted on the Prudent Effective Date to the target allocations set out in this Plan in such manner and within such time as ONE JIB considers to be prudent and reasonable in the circumstances. For greater certainty, it shall not be a contravention of this Plan if the actual allocations for the District's MNRI are at variance from the target allocations set out herein if the reason for such variance is that the transition plan has not been completed.

At the writing of this Plan the details of Muskoka's holdings were as follows:

Muskoka's ONE Investment Holdings (As at June 5, 2020)	Amount ($)
ONE Canadian Government Bond Portfolio	42,449,881
ONE Canadian Corporate Bond Portfolio	16,377,433
ONE Canadian Equity Portfolio	34,112,036
ONE Investment HISA	34,692,663
Total – ONE Investment	127,632,014

The objective is to move to the below allocations as quickly and cost efficiently as practicable. The settlement cycle for ONE Legal List Investment Program products and HISA is very short so no special considerations will be needed to accommodate the transfer of assets to ONE JIB. Muskoka also holds $29 million in bonds that may be liquidated in which case the proceeds will be given to ONE JIB as MNRI.

ONE Investment will provide forms to the District's Treasurer to facilitate the liquidation of ONE Legal List Investment Program products and HISA. These forms will be used to provide instructions in advance of July 2, 2020, and these instructions will be acted on in conjunction with trade instructions from ONE JIB. This is intended to streamline the transition process so all trading instructions can be planned in advance and coordinated so the District's money is deployed into the ONE Prudent Investment Program offerings seamlessly. The trading instructions and forms for this transition process will differ from the routine process that municipalities used to liquidate ONE Legal List Investment Program holdings.

Below is a summary of the intended ONE Investment allocations. Table C-1 shows the allocations to the ONE Investment Outcomes while Table C-2 reflects the consolidated allocations by funds that is implied

Table C- 1- Muskoka's Outcomes

Outcome	Allocation ($)	Allocation Weight (%)
Cash	1,929,952	1.5
Contingency	5,259,979	4.2
Target Date 3-5 yrs	46,248,480	36.8
Target Date 5-10 yrs	72,080,913	57.4
Total	**125,519,324**	**100.0**

Table C- 2 Muskoka's Consolidated Holdings

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	11,179,648	8.9
ONE Canadian Equity Fund	13,146,388	10.5
ONE Global Equity Fund	30,674,904	24.4
ONE Canadian Govenrment Bond Fund	10,577,758	8.4
ONE Canadian Corporate Bond Fund	10,577,758	8.4
ONE Global Bond Fund	49,362,869	39.3
Total	**125,519,324**	**100.0**

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this Plan, subject to the rebalancing provisions of section 9, until instructed otherwise. The MNRI will be invested in the underlying ONE Investment Pools as soon as reasonably practical after the July 2, 2020 effective date.

Appendix E: Transferring Funds

These procedures will be provided at a later date.

14841551.2

REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer and
Colin Macdonald, Manager of Investments
Date: June 23, 2020
Re: Investment Report and Investment Plan – Town of Whitby
Report: 20-020

1. RECOMMENDATIONS

It is recommended that:

1. The Board approve Whitby's Investment Plan (Attachment 1)

2. The Chief Investment Officer notify the Board of any in-year changes to Whitby's Investment Policy Statement and any related implications for the Investment Plan

3. The Chief Investment Officer review the Investment Plan in Q1 2021 and present a revised Investment Plan for approval by Q2 2021

4. The Chief Investment Officer develop a performance report for Whitby Council for the Board's consideration by Q1 2021

2. SUMMARY

Whitby has agreed to be a Founding Municipality in the creation of the ONE Joint Investment Board (ONE JIB). As part of the process under the applicable provincial regulation, the Board must develop and approve an Investment Plan for the Town of Whitby.

Key Points:

- Whitby will initially allocate $114.0 million to the Prudent Investor Standard, with $108.0 million available for investment and $6.0 million locked into Principal Protected Notes.

- Expected annual returns based on the allocations in the proposed Investment Plan are in the range of 4.0%

- Whitby's Investment Policy Statement (IPS) and Municipal Client Questionnaire (MCQ) were presented and received by the ONE JIB at the May 20, 2020 meeting. Details can be found in ONE JIB Report #20-011 -Appendix 8.

- Whitby anticipates significant capital expenditures over the next 10 years to accommodate projected population growth, with capital reserves and reserve funds dropping by almost $100 million by 2023, $47.7 million of which is comprised of MNRI that will be invested by the JIB.

- The Investment Plan includes a quick transition of funds to ONE JIB, in the form of $71 million in ONE Legal List Investment Program products, $6.0 million in Principal Protected Notes, and the remainder being funded by a cash contribution from the Town.

- The Commissioner of Corporate Services & Treasurer indicated a possibility that MNRI could be revised lower to reflect changing circumstances related to the COVID-19 pandemic. It is unlikely that adjustments to MNRI due to COVID-19, if any, will be required the next six months.

The proposed investment allocations, which reflect consolidated holdings across ONE Investment outcomes are presented below:

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	9,988,261	9.25
ONE Canadian Equity Fund	11,443,310	10.6
ONE Global Equity Fund	26,701,057	24.7
ONE Canadian Govenrment Bond Fund	8,973,346	8.3
ONE Canadian Corporate Bond Fund	8,973,346	8.3
ONE Global Bond Fund	41,875,614	38.8
Total	**107,954,934**	**100.0**

Locked in investments	Estimated Value ($)
Securities Transferred In-Kind (not invested in ONE Funds)	6,000,000
Whitby Hydro Shares	53,261,000

3. BACKGROUND

Council has approved the application of the Prudent Investor Standard to a portion of Whitby's investments

The Town's staff have worked with ONE staff and other Founding Municipalities to prepare the documentation and obtain the approvals needed to establish the ONE JIB. This included completing the Municipal Client Questionnaire and developing an Investment Policy Statement, which together reflect the investment needs, objectives, risk tolerances and constraints of the Town. This provides context that was reflected in the Investment Plan.

Council considered the transition to the Prudent Investor Standard on three occasions. On April 15, 2019, Council approved further due diligence to determine the best approach to move to the Prudent Investor Standard, including participation as a founding member in the establishment of the ONE JIB. On September 23, 2019, Council approved the development of an Investment Policy Statement and the preparation of documents to establish the ONE JIB with other Founding Municipalities. On March 9, 2020, Council approved its Investment Policy Statement, which permits investment under the Prudent Investor Standard, and authorized execution of the Initial Formation Agreement and the ONE JIB Agreement. Council also received for information the draft Investment Plan prepared by ONE staff.

Whitby's s overall investment objective is moderate growth with moderate risk levels, resulting in above-inflation returns

The Regulation requires municipalities to consider the following matters under the prudent investor regime:

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

Whitby's Investment Policy Statement verifies that the Town has taken these considerations into account in setting its investment objectives, and the Investment Plan provides further explanation.

The Town's overall investment objective is moderate growth at moderate levels of risk, resulting in above-inflation returns. Returns will also need to consider the change in Non-Residential Construction Price Index, a measure of inflation that is also a consideration for the Town.

Over the next five years Whitby has several projects that will require funding from MNRI of approximately $47.7 million. These significant funding needs limit the amount of MNRI that can be invested long-term.

ONE JIB uses an outcome-based approach to translate municipal needs and goals into investment allocations. A draft of the Outcomes Framework was presented to Council for information at its March 9, 2020 meeting. Once the ONE JIB was legally constituted and able to consider the Outcomes Framework, it was refined and approved on May 20, 2020. Table 1 below shows details of the ONE JIB approved Outcomes Framework, which classifies investments into four Outcome categories: Cash, Contingency, Stable Return and Target Date outcomes. The revised outcomes are in alignment with Whitby's investment objectives, risk profile and time frames. Whitby's Investment Plan assigns investment allocation based on the outcome mapping in Table 1. The allocations reflect the Town's objectives, characteristics and investment horizon and risk tolerance of the Town. The characteristics of the Town's reserves, reserve funds or other balances were considered when building investment allocations in the Investment Plan.

Table 1 - Investment Objectives and Outcomes

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

Whitby holds shares in its Local Distribution Company

Whitby has approximately $53.26 million of shares in Whitby Hydro Electric Corporation, the Local Distribution Company (LDC).

The Investment Policy Statement recognizes this investment as Long-Term Funds (or MNRI) that fall under the Prudent Investor Standard. However, the Investment Policy Statement provides direction to the ONE JIB with respect to the treatment of these funds.

LDC shares are considered restricted, special assets and remain in the custody of the Town. The Town is actively involved in shareholder meetings and plans to vote its shares. The LDC shares are to be viewed as separate standalone investments and are not to be included in calculations of asset allocations.

4. ANALYSIS

Whitby has approximately $108.0 million in investible MNRI

As of February 2020, the Town's MNRI is $167.3 million. This is comprised of $53.3 million in shares in their LDC, and $114.0 million in funds to be transferred to ONE JIB.

This $114.0 million is the portion of their $213.0 million in reserve and reserve funds they have determined to have a timeframe of greater than 18 months, $6.0 million of which is invested in two illiquid principal protected notes (PPNs). The two PPNs valued at $1.0 million and $5.0 million mature in January 2024 and January 2027, respectively. This leaves approximately $108.0 million for immediate investment by the ONE JIB.

The Town has used a time-based threshold of 18 months to define MNRI

Under the Act, municipalities can only invest MNRI, whether they choose to invest in the legal list or under the Prudent Investor Standard. For the purpose of the Prudent Investor Standard, it is necessary to define MNRI because control of the funds is delegated to an investment board. ONE Investment staff provided guidance on best practices in determining the definition of MNRI and the Commissioner of Corporate Services & Treasurer determined that 18 months was appropriate.

Whitby's capital plan indicates that most of the MNRI will be required between years 4 and 10

Whitby anticipates significant growth-related capital projects in the next 10 years. The Town expects its capital reserves to decline by greater than 5% per year and expects its capital expenditures to grow by greater than 5% per year in the long term (4.2% in the short term).

Whitby anticipates that they will need to access 43% of their MNRI in the 4 to 5 year range and 42% in the 6 to10 year range, with the remaining 15% having a timeframe of greater than 10 years. Table 3 provides more detail.

Table 2 - Cash Flow Time Horizons

Time frame	Percentage of MNRI	Approximate Dollars (Millions)*
2-3 years	0%	$0.4
4-5 years	43%	$48.7
6-10 years	42%	$48.4
Greater than 10 years	15%	$16.4

*figures include $1 million PPN in 4-5 year time frame and $5 million PPN in 6-10 year time frame to align with percentages in MCQ

The Investment Plan contains an asset allocation and allocations to specific funds

The Investment Plan provides asset allocations according to Whitby's investment objectives and risk tolerance, as shown in Table 4. These allocations are based on the Town's Investment Policy Statement, which describes the objectives, risk tolerance, liquidity and investment horizon for the reserves that make up MNRI.

Table 3 - Asset Allocation

Outcome	Total Invested ($)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Cash	438,287	0.4%	100	-	-	100
Contingency	4,359,392	4.0%	-	40	60	100
Asset Management Reserves	238,729	0.2%	-	10	90	100
Target Date 3-5 Years	47,749,872	44.2%	20	70	10	100
Target Date 5-10 Years	43,350,407	40.2%	-	50	50	100
Target Date 10+ Years	11,818,247	10.9%	-	25	75	100
Total	**107,954,934**	**100%**				

The Investment Plan then allocates these amounts to ONE Prudent Investment Program fund offerings, as shown in Table 5. Table 6 provides the same information in percentage, showing how the fund holdings are held within each of the Outcomes. Table 7 provides a summary of the allocations by fund.

Table 4 - Investment Mix (Amounts in $)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Cash	438,287	-	-	-	-	-	438,287
Contingency	-	784,691	1,830,945	261,564	261,564	1,220,630	4,359,392
Asset Management Reserves	-	64,457	150,399	3,581	3,581	16,711	238,729
Target Date 3-5 Years	9,549,974	1,432,496	3,342,491	5,013,737	5,013,737	23,397,437	47,749,872
Target Date 5-10 Years	-	6,502,561	15,172,642	3,251,281	3,251,281	15,172,642	43,350,407
Target Date 10+ Years	-	2,659,106	6,204,580	443,184	443,184	2,068,193	11,818,247
Total	**9,988,261**	**11,443,310**	**26,701,057**	**8,973,346**	**8,973,346**	**41,875,614**	**107,954,934**

Table 5 - Investment Mix (%)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Cash	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Contingency	0.0%	0.7%	1.7%	0.2%	0.2%	1.1%	4.0%
Asset Management Reserves	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.2%
Target Date 3-5 Years	8.8%	1.3%	3.1%	4.6%	4.6%	21.7%	44.2%
Target Date 5-10 Years	0.0%	6.0%	14.1%	3.0%	3.0%	14.1%	40.2%
Target Date 10+ Years	0.0%	2.5%	5.7%	0.4%	0.4%	1.9%	10.9%
Total	**9.3%**	**10.6%**	**24.7%**	**8.3%**	**8.3%**	**38.8%**	**100.0%**

Table 6 - Summary of Allocations by Fund

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	9,988,261	9.25
ONE Canadian Equity Fund	11,443,310	10.6
ONE Global Equity Fund	26,701,057	24.7
ONE Canadian Govenrment Bond Fund	8,973,346	8.3
ONE Canadian Corporate Bond Fund	8,973,346	8.3
ONE Global Bond Fund	41,875,614	38.8
Total	**107,954,934**	**100.0**

The specific allocations to each one of the Outcomes were based on input from the Investment Policy Statement and Municipal Client Questionnaire, as well as discussions with the Commissioner of Corporate Services & Treasurer. The purpose and characteristics of each reserve and reserve account were mapped to each of these Outcomes, which determined the dollar amount assigned to each Outcome.

The Outcomes assigned were based on an understanding of the time horizon and characteristics of the reserve/reserve accounts involved. The risk level for Outcomes are reflective of the Town's overall risk profile.

After assigning respective investment Outcomes, the consolidated outcomes were re-evaluated to ensure exposure was appropriate, considering the Town's overall circumstances and needs.

The risk profile of the allocations in relatively conservative, primarily due to pre-planning capital expenditures within the next five years. Allocation to Target Date Outcomes with shorter investment horizons accommodate there significant spending needs. As these balances are drawn down in coming years, the investment horizon of overall MNRI will tend to increase. Initial consolidated equity allocations will be 35.3%, but after the Cash Outcome and Target Date 3-5 Year Outcome balances are drawn down, the equity allocations will increase.

The average annual expected return on Whitby's investments is approximately 3.5%

In its Municipal Client Questionnaire, Whitby expressed annual return expectations in the range of -5% to +5%.

The overall estimated annual return for the asset allocations and fund mix in the investment plan is 4.0%. The expected returns by investment objective (see ONE JIB Report 20-010 - Appendix 4.b.6 for details on the basis of the investment projections) are:

- Cash Outcome: 0.9%
- Contingency Outcome: 4.9%
- Asset Management Reserves Outcome: 5.8%

- Target Date 3-5 Year Outcome: 3.0%
- Target Date 5-10 Year Outcome: 4.6%
- Target Date 10+ Year Outcome: 5.3%

The Investment Plan contemplates moving to the Prudent Investor investment allocations as quickly and cost effectively as possible.

Most of Whitby's MNRI that is moving to the ONE JIB consists of holdings of ONE Legal List funds. As these investments can be liquidated in a few days, no special considerations will be needed to accommodate the transition of these investments to the ONE JIB. The Town also holds $6 million of PPNs that will be contributed to the ONE JIB in-kind, representing part of their MNRI. As these securities mature over time the proceeds will be invested into ONE Investment Outcomes. The Town will provide additional funding from cash and other short-term investments. This transition plan is elaborated in greater detail in Appendix D of the Investment Plan.

5. CONCLUSION

Whitby's Council has approved an Investment Policy Statement and supporting documentation to enable it to adopt the Prudent Investor Standard and become a Founding Municipality for the ONE JIB.

The proposed Investment Plan is consistent with the Town's Investment Policy Statement. The proposed asset mix and fund allocations reflect the Town's investment objectives and risk preferences expressed in its Investment Policy Statement and Municipal Client Questionnaire. The initial allocation to equities will be 35.3%, but as MNRI is drawn down over the next five years, the overall equity weight will increase. Considering the relatively low risk profile of the ONE Investment prudent investor funds, the consolidated allocations have a modest risk profile.

As result, the Investment Plan is appropriate for the Town's objectives, risk tolerance, time horizons, and available MNRI.

Prepared by: Colin Macdonald, Manager of Investment Services and Keith Taylor, Chief Investment Officer

Approved for Submission by: Evelyn Foo, Chief Compliance Officer

Town of Whitby
(Town or Whitby)

Investment Plan

Date: July 2, 2020

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

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Contents

1. **Definitions**
(Note that terms and definitions used in this Investment Plan have the same meaning as those defined in the Investment Policy Statement)

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

Agency Agreement: means the Agency Agreement dated May 31, 1999 as amended and restated on March 1, 2010, between CHUMS and LAS as Agent and each Eligible Investor (as defined therein) under which such Eligible Investor participates in the ONE Legal List Investment Program, as amended, supplemented or replaced from time to time.

Asset Allocation (Asset Mix): means the proportion of each asset class in a portfolio or allocation.

Asset Class: means 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: 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"). 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;

HISA: means the ONE High Interest Savings Account. This is an investment product created by ONE Investment that offers competitive interest rates on daily balances. It functions in a similar way as a bank account in that it pays interest and funds can be withdrawn on demand without triggering investment gains or losses.

In-Kind: means assets/securities instead of cash. In certain cases municipalities may transfer securities to ONE JIB that reflect a portion of their MNRI instead of remitting only cash to ONE JIB. As these securities mature ONE JIB would invest the proceeds into the investment Outcomes specified in the Investment Plan.

Investment Policy Statement (IPS): means the investment policy adopted by Council and updated annually. It describes Whitby's money that it requires immediately (Short-Term Funds) and its 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: means money not required immediately (MNRI) by Whitby.

Municipal Client Questionnaire: means a document which shall be completed by the Commissioner of Corporate Services & Treasurer of each participating municipality and which includes information on municipal investments and risk preferences that must be reviewed annually.

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

ONE Joint Investment Board (ONE JIB): means the joint board established by certain founding municipalities as a municipal services board under section 202 of the 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 July 2, 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.

ONE Legal List Investment Program: means the program for joint municipal investment in which municipalities and other eligible investors invest under the Agency Agreement.

ONE Prudent Investment Program: means the program for municipal investment in which a municipality has appointed ONE JIB as such municipality's Joint Investment Board and has entered into the ONE JIB Agreement.

Outcome: means in the context of the Investment Plan the same thing as 'solutions'. Investment Outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each municipal investor are intended to reflect the needs and circumstances of the municipality.

Prudent Investor Standard: means the standard requiring 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 ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

Short-Term Funds: means money that is required immediately (MRI) by a municipality. Whitby's IPS defines MRI as funds that are to be used to meet financial obligations within the next eighteen (18) month period.

2. Purpose of Investment Plan

As required under the Act's prudent investor regime, this Plan (Plan) establishes how ONE JIB will invest Whitby's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with Whitby's IPS adopted by Council on March 9, 2020 and is based on the information in the Municipal Client Questionnaire (MCQ) dated May 8, 2020. It was presented to ONE JIB at the May 20, 2020 meeting in Report # 20-011 – Investment Outcomes. This Plan applies to all investments that are 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.

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 reviews to monitor compliance with the Act, the Regulation and Whitby's IPS.

This Plan is dependent on clear communication between Whitby, ONE JIB and ONE Investment regarding Whitby's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs an MCQ as part of its annual review. It is Whitby's responsibility to update the MCQ on a timely basis and to ensure that ONE Investment is aware of any needs that are not addressed in the MCQ 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 MCQ, IPS and other issues is set out in Appendix A. The process for moving funds in or out of ONE Investment is outlined in Appendix E.

4. Custodian

Except for Whitby-owned electricity assets, all investments under the control and management of ONE JIB shall be held for safekeeping by ONE Investment's Custodian. Additionally, securities In-Kind will be under the control and management of ONE JIB but may be held for safekeeping by a custodian acceptable to ONE JIB.

5. Investment Goals and Objectives

Returns on investments have an impact on Whitby's revenues, and therefore a longer-term impact on future years' budgets and are intended to 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 to spend as/if needed; and,
c. Funding target date projects, where Whitby has an obligation for a specific project at a specific time.

Whitby has identified the following details in Table 1 of its investment objectives for its MNRI according to the classification scheme initially developed for ONE JIB.

Table 1 - Outcomes Disclosed in Whitby's IPS

<table>
<tr><th>Investment Outcome</th><th>Objective</th><th>Risk Tolerance, Liquidity</th><th>Investment Horizon</th></tr>
<tr><td>Contingency</td><td>Contributions for unexpected events</td><td>Higher risk with emphasis on growth, liquid</td><td>very long (but readily available as needed)</td></tr>
<tr><td>Stable Return</td><td>To generate stable returns to fund recurring needs</td><td>Moderate risk with emphasis on stable returns, liquid</td><td>long (5+ years)</td></tr>
<tr><td rowspan="3">Target Date</td><td rowspan="3">Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements. May also include contributions to asset management reserves</td><td>Lower risk, liquid</td><td>< 5 years</td></tr>
<tr><td>Moderate risk with emphasis on stable returns, liquid</td><td>5 to 10 years</td></tr>
<tr><td>Higher risk with emphasis on growth, liquid</td><td>Greater than 10 years</td></tr>
</table>

Whitby's investment needs described in its IPS provide Council's guidance to ONE JIB in determining investment allocations. Additional context from the MCQ and dialogue with the Treasurer were used to interpret the details in Table 1. This informs ONE JIB about Whitby's current goals, objectives, circumstances and risk tolerance, and helps direct how investment allocations will be determined.

Once ONE JIB was legally constituted and able to consider the Outcomes Framework, the framework was refined and approved on May 20, 2020 (see ONE JIB Report #20-011). The approved Outcomes Framework differs somewhat from the Outcome mapping in Table 1 that was presented to Council. This Plan has interpreted the goals and objectives as disclosed by the Town within the context of the Outcome mapping in Table 2 below. The allocation of the Town's MNRI within this framework in Table 2 is consistent with the details as disclosed in the Town's IPS and MCQ.

Table 2 - ONE JIB Outcomes Framework

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

While individually Whitby's reserve and reserve funds require liquidity, collectively they provide the Town with 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. However, at present all ONE Investment funds are designed to be highly liquid. Less liquid investments may become available through ONE Investment at a later date.

The Town has significant spending needs through 2023, 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 Plan approximately $48.7 million is anticipated to be drawn down from MNRI to fund pre-planned capital expenditures. The 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. The Town also anticipates a significant spending need in the 5 to 10-year period related to growth.

6. Investment Allocations

6.1 Asset Allocations

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

The goals, objectives, constraints and circumstances of Whitby are taken into consideration when assigning asset allocations for Whitby using ONE Investment's Outcome-based approach. These decisions are informed by the requirement to comply with the Prudent Investor Standard as defined in the Act. The Prudent Investor 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.

In drafting this Plan, these current economic conditions and the possible effect on inflation/deflation have been considered as follows:

- On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic. Subsequently, the Province of Ontario declared a state of emergency on March 17, 2020. The financial impact of these events on municipalities is still to be determined. Examples could include increased cash flow requirements, decreased revenue or pressure for lower property tax rate increases.
- The COVID-19 pandemic has the potential to change the economic outlook and the capital markets outlook in ways that cannot be foreseen. This should not directly affect the risk profile of the Town or the implementation of this Plan.
- Prior to the COVID-19 pandemic, economic conditions have been characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. The global economy appeared to be in the later stage of an economic expansion with significant potential for deceleration of economic growth. The COVID-19 pandemic has clouded the outlook.
- The portions of MNRI that will be needed in the shorter term will be invested in investment strategies with very low risk and high liquidity (such as cash and short-term fixed income) given the economic uncertainty in the near-term.
- The portions of MNRI that are not expected to be needed over the short-term will be invested to take advantage of a longer-term investment horizon, when the current economic uncertainties will likely have subsided; the use of diversification to reduce volatility and investments in securities with a potential for higher returns such as equities and bonds is expected to achieve returns that outpace inflation.

Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Chief Investment Officer considers appropriate for Whitby. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining an appropriate risk profile.

6.2 Account Structure

The amounts of MNRI, as disclosed in Whitby's MCQ dated May 20, 2020 have been allocated into investment Outcome categories to provide guidance to ONE JIB.

The initial allocation to each Outcome is identified in Table 3 below.

Table 3 - Initial Allocations

Outcome	Allocation ($)	Allocation Weight (%)
Cash	438,287	0.4
Contingency	4,359,392	4.0
Asset Management Reserves	238,729	0.2
Target Date 3-5 Years	47,749,872	44.2
Target Date 5-10 Years	43,350,407	40.2
Target Date 10+ Years	11,818,247	10.9
Total	**107,954,934**	**100.0**

Mixes of ONE Prudent Investment Program funds and products appropriate for Whitby's circumstances will be used for each Outcome. Descriptions of these solutions, ONE Prudent Investment Program funds and the asset allocations for each Outcome are shown in Appendix B. Note that Whitby holds $6 million in securities In-Kind which represent a portion of MNRI. When these securities mature (in several years) the proceeds will be invested in the investment Outcomes in keeping with the Plan at the time of maturity.

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

6.3 Cash Outcome

Cash allocations are appropriate for relatively short-term funding needs of the Town. If the funds are anticipated to be drawn down within three years it is most appropriate to invest these monies such that there is minimal potential for capital loss. Longer term investments are able to assume more risk and potentially absorb capital loss as there is ample time for investment growth to allow the investment value to recover. Monies in the Cash Outcome do not have this flexibility and will be invested in the ONE HISA which has a very remote possibility for loss of capital, which helps ensure the funds will be available when needed. Whitby has approximately $440,000 that will be allocated to the Cash Outcome. Details of the allocation of the Cash Outcome are found in Table 4. Further detail about the Contingency Outcome allocations can also be found in Appendix B. Monies in the Cash Outcome are expected to be reclassified as MRI over the next few years. All interest earned in the Cash Outcome will be reinvested in the Cash Outcome:

Table 4 - Cash Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Cash	**100**	**100**	**100**	
ONE HISA		100		Bank of Canada 1 Year GIC Rate
Total		**100**		

Cash Outcome returns and risk are discussed in section 6.6.

Benchmark: Bank of Canada 1 Year GIC Rate. There is no active management involved with HISA (High Interest Savings Account) balances.

6.4 Contingency Outcome

Whitby will need to generate long-term growth for funds within the Contingency Outcome. Contingency funds may be drawn upon to meet unexpected needs and infrequent events. Emphasis on the preservation of purchasing power is a key consideration, and therefore growth in the value of Whitby's investments is emphasized. Details of the allocation of the Contingency Outcome are shown in Table 5. Further detail about the Contingency Outcome allocations can also be found in Appendix B. These funds will be invested according to the asset mix set out in Table 5 and will be rebalanced to ensure a consistent risk profile – rebalancing is explained in more detail in section 9. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed. The initial allocation to the Contingency Outcome will be approximately $4.4 million.

Table 5 - Contingency Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Equity	**55**	**60**	**65**	
ONE Canadian Equity Fund		18		S&P/TSX Composite Index
ONE Global Equity Fund		42		MSCI ACWI (All Country World Index)
Fixed Income	**35**	**40**	**45**	
ONE Canadian Government Bond Fund		6		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		28		Bloomberg Barclays Multiverse Index
Total		**100**		

Contingency Outcome returns and risk are discussed in section 6.6.

Benchmark: 18% x S&P/TSX Composite Total Return Index + 42% x MSCI ACWI + 6% x *blended benchmark* - Canadian Government Bonds +6% x *blended benchmark* - Canadian Corporate Bonds + 28% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C.

6.5 Asset Management Reserves Outcome

The Asset Management Reserve Outcome is specifically designed as an Outcome suitable for very long investment horizons with a well-defined purpose. Allocations to this Outcome are intended to generate returns to fund asset management reserves. The very long-term nature of asset management reserves allows this Outcome to emphasize long-term growth, and as such, it has a significant allocation to equities. A small portion of Whitby's MNRI will be allocated to this Outcome, which represents about $239,000 or approximately 0.2% of MNRI. Details of the allocation of Whitby's Asset Management Reserves Outcome are show in Table 6. Further detail about the Asset Management Reserves Outcome allocations can also be found in Appendix B. All income generated by this outcome will be reinvested. Monies invested in this Outcome will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

Table 6 - Asset Management Reserve Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Equity	**88**	**90**	**92**	
ONE Canadian Equity Fund		27		S&P/TSX Composite Index
ONE Global Equity Fund		63		MSCI ACWI (All Country World Index)
Fixed Income	**8**	**10**	**12**	
ONE Canadian Government Bond Fund		1.5		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		1.5		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		7		Bloomberg Barclays Multiverse Index
Total		**100**		

Asset Management Reserve Outcome returns and risk are discussed in section 6.6.

Benchmark: 27% x S&P/TSX Composite Total Return Index + 63% x MSCI ACWI + 1.5% x *blended benchmark* - Canadian Government Bonds +1.5% x *blended benchmark* - Canadian Corporate Bonds + 7% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C.

6.6 Target Date Outcome

Target Date Outcomes will be managed with the objective of providing for the return of principal, income and capital gains at a target date in the future. All income will be reinvested.

The largest portion of Whitby's MNRI is intended to be invested in Target Date Outcomes. 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. Approximately $100 million will be spent on these and other initiatives through 2023, with additional spending needs anticipated 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 $47.7M to finance anticipated expenditures funded within the next five years. As the Town grows, the Commissioner of 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 Outcomes 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 $47.7 million (about 44% of MNRI) will be allocated into the Target Date 3-5 Year Outcome, see Table 7, which is intended to provide some liquidity for the projects within the next five years. Due to the relatively short-term time horizon, the monies invested in this Target Date Outcome will attempt to mitigate the potential for capital loss by investing primarily in fixed income and cash-like investments. This Outcome has a small allocation to equity investments to enhance the growth potential. It is anticipated the entire balance will be drawn down in the coming years to pay for planned expenditures.

Table 7 - Target Date 3-5 Year Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
Cash	**17**	**20**	**23**	
ONE HISA		20		Bank of Canada 1 Year GIC Rate
Equity	**8**	**10**	**12**	
ONE Canadian Equity Fund		3		S&P/TSX Composite Index
ONE Global Equity Fund		7		MSCI ACWI (All Country World Index)
Fixed Income	**66**	**70**	**74**	
ONE Canadian Government Bond Fund		10.5		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		10.5		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		49		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 3 to 5 Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 20% Bank of Canada 1 Year GIC Rate + 3% x S&P/TSX Composite Total Return Index + 7% x MSCI ACWI + 10.5% x *blended benchmark* - Canadian Government Bonds +10.5% x *blended benchmark* - Canadian Corporate Bonds + 49% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

Whitby is experiencing significant growth and expects that it will require large investment spending within the 5 to 10-year time frame due to continued population growth. Approximately 40%, or $43.4 million, of MNRI will be invested in the Target Date 5–10 Year Outcome, which will be needed primarily to fund projects related to growth. Details of the allocation for this Outcome are in Table 8 below. Further detail about the Target Date 5-10 Year Outcome allocations can also be found in Appendix B.

Amounts will be allocated to the Target Date 5–10 Year Outcomes to reflect the intended time horizon and risk profile for reserve accounts where near term liquidity is less relevant. The Target Date 5–10 Year Outcome has a 50% allocation to equities, which should help monies invested in this outcome to achieve growth. As monies invested in this Outcome typically reflect reserves for future capital projects, growth is the value of investments is important to help offset the impact of inflation on project costs.

Table 8 - Target Date 5-10 Year Outcome

Asset Class	% Weight Min	Target	Max	Benchmark
Equity	**45**	**50**	**55**	
ONE Canadian Equity Fund		15		S&P/TSX Composite Index
ONE Global Equity Fund		35		MSCI ACWI (All Country World Index)
Fixed Income	**45**	**50**	**55**	
ONE Canadian Government Bond Fund		7.5		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		7.5		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		35		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 5 to 10 Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 15% x S&P/TSX Composite Total Return Index + 35% x MSCI ACWI + 7.5% x *blended benchmark* - Canadian Government Bonds +7.5% x *blended benchmark* - Canadian Corporate Bonds + 35% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

Approximately 11%, or $11.8 million of MNRI will be invested in the Target Date 10+ Year Outcome, which is intended to fund longer term capital projects. This Target Date Outcome has an overall allocation to equity of about 75%, which should provide an opportunity for the funds invested to grow in value. More detail on the allocations for the Target Date 10+ Year Outcome are shown in Table 9.

As 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 this longer dated target date outcome. Based on discussions with the Commissioner of Corporate Services & Treasurer and input from the MCQ, allocations to the Target Date 10+ Year Outcome for the Town's reserve and reserve funds are lower due to uncertainties related to recent amendments to the *Development Charges Act, 1997*, specifically the change from Development Charges to Community Benefit Charges.

Table 9 - Target Date 10+ Year Outcome

Asset Class	% Weight Min	Target	Max	Benchmark
Equity	**71**	**75**	**79**	
ONE Canadian Equity Fund		22.5		S&P/TSX Composite Index
ONE Global Equity Fund		52.5		MSCI ACWI (All Country World Index)
Fixed Income	**21**	**25**	**29**	
ONE Canadian Government Bond Fund		3.75		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		3.75		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		17.5		Bloomberg Barclays Multiverse Index
Total		**100**		

Target Date 10+ Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 22.5% x S&P/TSX Composite Total Return Index + 52.5% x MSCI ACWI + 3.75% x *blended benchmark* - Canadian Government Bonds +3.75% x *blended benchmark* - Canadian Corporate Bonds + 17.5% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.7 Projected Investment Returns

The prospect for improved returns with acceptable levels of investment risk is a key consideration for any municipality investing under the Prudent Investor Standard. Table 10 below provides a projection of the annual returns for each of Whitby's 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. They are presented for information purposes only, and actual investment results may differ materially. The source of returns (recurring income vs capital gains) is not a factor that ONE JIB actively considers for these mandates. It is largely not relevant to municipal investors because they are not subject to taxes on investment returns.

Table 10 - Projected Annual Returns

Outcome	Expected Return	Allocation Weight (%)
Cash	0.9%	0.4
Contingency	4.9%	4.0
Asset Management Reserves	5.8%	0.2
Target Date 3-5 Years	3.0%	44.2
Target Date 5-10 Years	4.6%	40.2
Target Date 10+ Years	5.3%	10.9
Overall	**4.0%**	**100.00**

* The projected overall Expected Return of the asset allocations for ONE Investment prudent investor offerings was evaluated by an external consultant, Aon. Their analysis includes a proprietary return measure that projects average annual expected returns via a Monte Carlo analysis. Actual returns may differ.

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 five years, which limits the ability of ONE 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 a higher rate of return will likely be achieved as the porfolio transitions to a more growth-oriented portfolio.

6.8 Other Accounts

The Town has no other accounts ONE JIB must consider.

7. Constraints

Besides those listed below, 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 may 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 not be used for speculative purposes except where the External Portfolio Managers use it in the underlying fund. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset (e.g., for currency or other hedging, to change portfolio duration or in covered call strategies).

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and investment pools (the ONE Investment Pools) used as building blocks in the asset allocation for each Outcome. These External Portfolio Managers are chosen and monitored using a rigorous 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 by ONE Investment. Each investment outcome will have target weights assigned for each holding, which collectively represent the intended asset mix for the outcome. Minimum and maximum weights will also be assigned for asset classes, and these weights will guide the rebalancing process. Should the weight deviate outside the minimum or maximum weights noted in Appendix B, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions will be completed as soon as reasonably viable, taking into account 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.

ONE Investment will rebalance all accounts to target weights twice annually based on fixed dates: April 15 and October 15 (or the following business day). Accounts that are within a 2% threshold of the intended targets will not be rebalanced.

10. Accommodating Cashflow Needs

This Plan is intended to be dynamic and responsive to the changing needs of Whitby. Once informed of changing needs in accordance with the ONE JIB Agreement, ONE JIB may need to revise allocations, deploy incoming monies or sell units of the investment pools accordingly. Additionally, income from investments will be automatically reinvested into the investment Outcomes where appropriate and cashflow needs of Whitby are expected to be financed with the sale of units of the investment pools. Any fee discounts that apply to Whitby are intended to be reinvested into the Contingency Outcome or as otherwise directed by the Commissioner of Corporate Services & Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

Whitby's investment in Whitby Hydro, an LDC, has a strategic purpose beyond generating investment returns. While this investment is part of the responsibility of ONE JIB, it is subject to a restriction set out in Whitby's IPS such that ONE JIB has agreed not to dispose of or deal with that investment without Whitby's consent. Table 11 below describes the investment in Whitby Hydro Shares.

Table 11 - Whitby's LDC Holdings

Investment in Local Distribution Company	Amount ($)
Whitby Hydro Shares	53,261,000

11.2 Transitional Investments

MNRI that Whitby will transfer the control and management of to ONE JIB will consist of available cash and the proceeds from the liquidation of Whitby's ONE Legal List Investment Program products. Principal Protected Notes valued at $6M will be included as part of Whitby's MNRI that is under the control and management of ONE JIB.

Whitby plans to sell some or all of its ONE Legal List Investment Program products. The proceeds of the sale will be given to ONE JIB as MNRI. More details on transition planning is provided in Appendix D.

12. Comments by Chief Investment Officer

Certain qualitative factors were considered in assigning the investment allocations. Whitby's reserve and reserve fund balances over the next few years will be affected by pre-planned capital expenditures. Whitby's MNRI is expected to be drawn down significantly through 2023 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-term horizon and assume a reasonable amount of investment risk. This offers the Town 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 long-term time horizon for some of the Town's reserve and reserve funds and the need for returns to exceed inflation, an 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 Town has cashflow flexibility in coming years as more than 50% of MNRI will not need to be utilized in the next five years. Additionally, the objective to achieve growth for the monies invested, with above-inflation returns was recognized as an important goal for the Town. Aside from the funding for the specified near-term needs, the Town has the flexibility to assume a moderate risk profile for the consolidated portfolio, and investment allocations are also influenced by the time horizon associated with the MNRI. The Chief Investment Officer 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 35.3%, effectively doubling the Town's overall exposure to equity investments compared to its current allocations within the legal list regime. Equity weights will rise further as balances from the Target Date 3–5 Year Outcome is drawn down. This level of diversified equity exposure is appropriate for the Town considering its circumstances and needs.

Appendix A: 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;
- Revisions in MNRI;
- Desired end use of funds, especially if that is likely to affect the investment approach; and
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the MCQ on the ONE Investment website. Section 5.01 (c) of the ONE JIB Agreement requires that Participating Municipalities provide written notice to the Board Secretary of ONE JIB of any amendment or modification to its IPS. Written communication should be directed to the attention of the Chief Investment Officer at ONE@oneinvestment.ca and the ONE JIB Secretary at dkelly@oneinvestment.ca. They are considered received when ONE Investment provides a formal return email acknowledgement.

Appendix B: Description of ONE Investment Pools, Products and Outcomes

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 Class
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Cash
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity focused on Canadian Government bonds	Canadian short-term Fixed Income
ONE Canadian Corporate Bond Fund	MFS	Primarily in Canadian Corporate Bonds	Canadian Fixed Income
ONE Global Bond Fund	Manulife Investment Management	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	Mawer Investment Management	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian Capital	Canadian Equity with conservative investment approach	Canadian Equities

Investment Outcomes

The asset allocations for ONE Investment's Outcomes are detailed in the tables below. Rebalancing will be managed for these asset allocations as explained in this Plan. As asset mixes drift away from their intended target and converge on either the minimum or maximum ranges noted below, ONE Investment will rebalance the holdings to restore allocations to the intended asset mix. The Outcomes will also be rebalanced twice annually, as required, to ensure the allocations do not drift materially away from the intended targets. Note that these allocations target a maximum of 70% foreign exposure, and Canadian Bond exposure targets equal allocation to the ONE Canadian Government Bond Fund and the ONE Canadian Corporate Bond Fund.

Cash Outcome	% Weight		
	Min	**Target**	**Max**
ONE HISA	na	100	na
Total Cash		**100**	

Stable Return Outcome	% Weight			**Duration**
	Min	**Target**	**Max**	**(Years)**
ONE HISA	8	10	12	
Total Cash	**8**	**10**	12	
ONE Canadian Equity Fund		9		
ONE Global Equity Fund		21		
Total Equity	**26**	**30**	**34**	
ONE Canadian Government Bond Fund		9		1.6 – 3.6
ONE Canadian Corporate Bond Fund		9		3.0 – 6.9
ONE Global Bond Fund		42		2.0 – 6.0
Total Fixed Income	**55**	**60**	**65**	
Total Allocated		**100**		

Contingency Outcome	% Weight			**Duration**
	Min	**Target**	**Max**	**(Years)**
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		18		
ONE Global Equity Fund		42		
Total Equity	**55**	**60**	**65**	
ONE Canadian Government Bond Fund		6		1.6 – 3.6
ONE Canadian Corporate Bond Fund		6		3.0 – 6.9
ONE Global Bond Fund		28		2.0 – 6.0
Total Fixed Income	**35**	**40**	**45**	
Total Allocated		**100**		

Asset Management Reserve Outcome	% Weight			**Duration**
	Min	**Target**	**Max**	**(Years)**
ONE HISA				
Total Cash		**0**		
ONE Canadian Equity Fund		27		
ONE Global Equity Fund		63		
Total Equity	**88**	**90**	**92**	
ONE Canadian Government Bond Fund		1.5		1.6 – 3.6
ONE Canadian Corporate Bond Fund		1.5		3.0 – 6.9
ONE Global Bond Fund		7		2.0 – 6.0
Total Fixed Income	**8**	**10**	**12**	
Total Allocated		**100**		

Target Date Outcomes:

Investments with target dates will be managed to reduce risk as the target date approaches. As time passes and the spending needs get closer, it is appropriate to reduce the amount of risk so that there is greater certainty that the funds will be available as needed. This means that reserves, reserve accounts and other balances that are assigned to target date allocation will be reassigned to a nearer dated Target Date Outcome as time passes. In this way as the spending needs grows nearer, the associated investment allocations will migrate to a lower risk Outcome.

Target Date Outcomes	Target Date 3- 5 Years			Target Date 5-10 Years			Target Date 10+ Years		
	% Weight			% Weight			% Weight		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE HISA		20			0			0	
Total Cash	**17**	**20**	**23**		**0**			**0**	
ONE Canadian Equity Fund		3			15			22.5	
ONE Global Equity Fund		7			35			52.5	
Total Equity	**8**	**10**	**12**	**45**	**50**	**55**	**71**	**75**	**79**
ONE Canadian Government Bond Fund		10.5			7.5			3.75	
ONE Canadian Corporate Bond Fund		10.5			7.5			3.75	
ONE Global Bond Fund		49			35			17.5	
Total Fixed Income	**66**	**70**	**74**	**45**	**50**	**55**	**21**	**25**	**29**
Total Allocated		**100**			**100**			**100**	

Appendix C: Performance Benchmarks for ONE Investment Funds

- The table below details the benchmarks to be used for the performance evaluation of the ONE Investment Pools.
- Blended benchmarks for the prudent investor Outcomes will be used in proportion to their target asset allocation weights.

ONE HISA	Bank of Canada 1 Year GIC Rate
ONE Canadian Equity Fund*	S&P/TSX Composite Total Return Index
ONE Global Equity Fund	MSCI ACWI (net)
ONE Canadian Government Bond Fund*	95% the DEX All Government Short Bond Index and 5% the DEX 91 Day T-Bill Index
ONE Canadian Corporate Bond Fund*	48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.
ONE Global Bond Fund	Bloomberg Barclays Multiverse Index

* Note 1: These funds have exposures that broadly parallel ONE Investment Legal List Program products and use the same performance benchmarks.

Appendix D: Transition Plan

Notwithstanding any provision of this Plan, ONE JIB shall have the discretion to transition Whitby's MNRI as constituted on the Prudent Effective Date to the target allocations set out in this Plan in such manner and within such time as ONE JIB considers to be prudent and reasonable in the circumstances. For greater certainty, it shall not be a contravention of this Plan if the actual allocations for Whitby's MNRI are at variance from the target allocations set out herein, if the reason for such variance is that the transition plan has not been completed.

At the writing of this Plan Whitby's holdings in ONE Legal List Investment Program holdings were the following:

Whitby's ONE Investment Holdings (As at June 4, 2020)	Amount ($)
ONE Canadian Equity Portfolio	9,031,077
ONE HISA	62,219,268
Total – ONE Investment	71,250,345

The objective is to move from existing investment to the current allocations recommended in this Plan (as noted below) as quickly and cost efficiently as practicable. The Town will liquidate the securities above, and the proceeds will be delivered to ONE JIB. The settlement cycle for ONE Legal List Investment Program products and ONE HISA is very short so no special considerations will be needed to accommodate the transfer of ONE Legal List Investment Program holdings to the ONE JIB Prudent Investment Program. Additional monies will be given to ONE JIB as MNRI. The Town will use cash plus proceeds from liquidating other short-term investments to raise the funds to transfer to ONE JIB.

ONE Investment will provide forms to Whitby's Commissioner of Corporate Services & Treasurer to facilitate the liquidation from ONE Legal List Investment Program products and HISA. These forms will be used to provide instructions in advance of July 2, 2020, and these instructions will be acted on in conjunction with trade instructions from ONE JIB. This is intended to streamline the transition process so all trading instructions can be planned in advance and coordinated so the Town's money is deployed into the ONE Prudent Investment Program offerings seamlessly. The trading instructions and forms for this transition process will differ from the routine process that municipalities used to liquidate ONE Legal List Investment Program holdings.

Below is a summary of the intended ONE Investment allocations. Table C-1 shows the allocations to the ONE Investment Outcomes while Table C-2 reflects the consolidated allocations by funds that is implied.

Table C- 1 - Whitby's Outcomes

Outcome	Allocation ($)	Allocation Weight (%)
Cash	438,287	0.4
Contingency	4,359,392	4.0
Asset Management Reserves	238,729	0.2
Target Date 3-5 Years	47,749,872	44.2
Target Date 5-10 Years	43,350,407	40.2
Target Date 10+ Years	11,818,247	10.9
Total	**107,954,934**	**100.0**

Table C- 2 - Whitby's Consolidated Holdings

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	9,988,261	9.25
ONE Canadian Equity Fund	11,443,310	10.6
ONE Global Equity Fund	26,701,057	24.7
ONE Canadian Govenrment Bond Fund	8,973,346	8.3
ONE Canadian Corporate Bond Fund	8,973,346	8.3
ONE Global Bond Fund	41,875,614	38.8
Total	**107,954,934**	**100.0**

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this Plan until instructed otherwise. The purchase of these funds will be financed by the $70 million from the liquidation of ONE Legal List Investment Program products with the balance being funded by cash from the Town.

The Town also holds $6 million of Principal Protected Notes, see Table C-3 below, that will be transferred to ONE JIB In-Kind, representing part of its MNRI. As these securities mature over time the proceeds will be invested in ONE Investment Outcomes:

Table C- 3 - Principal Protected Notes

Security	Maturity	Amount ($)
Scotiabank 5 Year PPN	3-Jan-24	1,000,000
Scotiabank 7 Year PPN	18-Jan-27	5,000,000
Total		**6,000,000**

Appendix E: Transferring Funds

These procedures will be provided at a later date.

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