



**ONE JIB**  
**Regular Board Meeting**  
**Agenda**

**Meeting #:** 2020-05  
**Date:** September 16 2020, 9:00 a.m.  
**Location:** Zoom Virtual Meeting

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	<b>Pages</b>
1. Chair's Welcome	
2. Adjournment	
3. Special Meeting - Chair's Welcome	
4. Disclosures of Pecuniary Interest	
5. Procedure By-Law Amendments - Electronic Meetings	1 - 4
6. Authorizing Motion	
7. Adjournment	
8. Regular Meeting - Chair's Welcome	
9. Disclosures of Pecuniary Interest	
10. Minutes of Previous Meeting	5 - 12
10.a Approval of Minutes	
10.b Approval of Closed Meeting Record of July 14, 2020	
10.c Business Arising from Minutes	
11. Communication	
12. Delegations	

- 13. Investment Oversight**
  - 13.a Transition Plan Report** 13 - 15
  - 13.b Investment Managers - MFS Investment Management** 16 - 43
- 14. Other Business**
- 15. Closed Session**
  - 15.a Education Session - Closed Meetings with John Mascarin, Partner Aird Berlis LLP - solicitor-client**
  - 15.b Private session advice subject to client privilege - Legal Agreements Pertaining to the Investment Pools - Susan Han, Partner WeirFoulds LLP - solicitor-client**
- 16. Reconvene in Public Session**
- 17. Meeting Outcomes**
- 18. Authorizing Motion**
- 19. Adjournment**
- 20. Next Meeting: October 20, 2020 - 9:00 a.m.**



# REPORT

To: ONE Joint Investment Board  
From: Denis Kelly, Secretary  
Date: September 16, 2020  
Re: Amendment of the Procedure By-law  
Report: 20-O23

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## 1. RECOMMENDATIONS

It is recommended that ONE JIB amend its procedure by-law to: (i) permit electronic participation of members in meetings of the Board, whether they are open or closed to the public, when there is no declared state of emergency; (ii) provide that members of the Board who participate electronically in such meetings of the Board are counted in determining quorum; and (iii) permit amendments to the procedure by-law so long as notice of the proposed amendment is given at a previous meeting of the Board.

A copy of the proposed amending by-law is attached.

## 2. SUMMARY

Recent amendments to the *Municipal Act, 2001* provide that whether or not a state of emergency has been declared a member of a local board may participate electronically in both open and closed meetings and be counted in determining quorum, so long as the Board's procedure by-law contains such provisions. ONE JIB's procedure by-law does not contain such provisions and should therefore be amended as recommended.

## 3. BACKGROUND

On March 17, 2020, pursuant to Ontario Regulation 50/20 made under the *Emergency Management and Civil Protection Act*, the Province of Ontario declared that a state of emergency existed in the Province due to the COVID-19 pandemic. At that time the *Municipal Act, 2001* was amended to permit municipalities and their local boards, during the declared state of emergency, to provide that a member could participate electronically in both open and closed meetings and could be counted in determining quorum. Before that time a member participating electronically could only do so in a meeting that was open to the public and could not be counted in determining quorum.

In response to the declaration of emergency, the Board passed its procedure by-law on May 19, 2020 providing that during the period of any declared emergency members of the Board are

entitled to participate electronically in both open and closed meetings and shall be counted in determining quorum.

The procedure by-law also provides that the Board shall only consider amendments of such by-law at a meeting if notice of the proposed amendment was given at a previous meeting.

The declared state of emergency ended on July 24, 2020. Around the same time the *Municipal Act, 2001* was amended again to permit members participating electronically in open and closed meetings to be included in determining quorum, even in the absence of a declared emergency, so long as the local board's procedure by-law contained such provisions. These amendments to the *Municipal Act, 2001* were made after the Board's last meeting on July 14, 2020 and the procedure by-law has not yet been amended to reflect this legislative change.

Notwithstanding the termination of the declared state of emergency, concerns over the continuing pandemic remain and members require the flexibility to continue participating in meetings electronically. Accordingly, in order to conduct properly constituted meetings the current procedure by-law needs to be amended to permit those members to be included in the determination of quorum.

## 4. ANALYSIS

Compliance with the applicable legislation is of paramount importance to ONE JIB. Under the current procedure by-law, in exceptional circumstances members of the Board can participate electronically in open meetings only and cannot be counted in determining quorum. As mentioned, the recent legislative changes authorize members to participate electronically, whether the meeting is open or closed to the public, and to count in determining quorum so long as the procedure by-law permits them to do so. The recommended amendments will put ONE JIB in compliance with the current legislation in that regard.

## ONE JOINT INVESTMENT BOARD

### BY-LAW NO. 2-2020

#### **A by-law to amend By-law No. 1-2020 to govern the proceedings of the ONE Joint Investment Board**

WHEREAS section 238(2) of the *Municipal Act, 2001* ("the Act") provides that every municipality and local board shall pass a procedure by-law for governing the calling, place and proceedings of meetings,

AND WHEREAS section 238 (3.1) of the Act provides that the procedure by-law may provide that a member of a council, of a local board or of a committee of either of them, can participate electronically in a meeting to the extent and in the manner set out in the by-law,

And WHEREAS section 238 (3.3) of the Act provides that the procedure by-law may provide that,

(a) a member of a council, of a local board or a committee of either of them who is participating electronically may be counted in determining whether or not a quorum of members is present at any point in time; and

(b) a member of a council, of a local board or of a committee of either of them can participate electronically in a meeting that is open or closed to the public.

1. By-law No. 1-2020 is hereby amended by deleting subsections 9(5), 9(6) and 9(7) and replacing them with the following:

**9(5)** If the Chair of the Board is of the opinion that there are exceptional circumstances pertaining to a Meeting of the Board or a Committee of the Board, the Chair of the Board may determine that a Member or Members of the Board may participate electronically in a Meeting of the Board or a Committee of the Board that is open or closed to the public.

**(6)** A Member of the Board who is participating electronically in a Meeting of the Board or a Committee of the Board pursuant to Subsection 9(5) shall have all of the usual rights and obligations of Members of the Board, including the right to speak, ask questions, make motions and vote, and shall be counted in determining whether or not a quorum of Members of the Board is present at any point in time during such a Meeting.

**(7)** [Deleted]

2. By-law No. 1-2020 is hereby amended by deleting subsection 41(2) and replacing it with the following:

**41(2)** The Board shall only consider amendments or repeal of this by-law at a Meeting if notice of the proposed amendment or repeal was given at a previous regular or Special Meeting.

This by-law shall come into force on September 16, 2020.

Enacted and passed on September 16, 2020.

Chair

Secretary



## **ONE JIB**

### **Regular Board Meeting**

#### **Minutes**

**Meeting #:** 2020-04  
**Date:** July 14, 2020, 9:00 a.m.  
**Location:** Zoom Virtual Meeting

#### Members Present:

Board Chair B. Hughes  
Board Vice-Chair G. James  
A. Basdeo  
J. Dowty  
H. Franken  
J. Giles  
M. Melinyshyn  
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  
S. Han, WeirFoulds, LLP, Legal Counsel  
D. Kelly, Board Secretary  
C. Macdonald, Manager of Investments, ONE Investment  
J. Mascarin, Aird & Berlis, LLP, Integrity Commissioner and Closed Meeting Investigator  
K. Taylor, Chief Investment Officer, ONE Investment

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### **1. Chair's Welcome**

Board Chair Hughes welcomed all to the ONE JIB meeting.

**2. Disclosures of Pecuniary Interest**

There were no disclosures of pecuniary interest.

**3. Minutes of Previous Meeting**

**3.a Approval of Minutes June 23, 2020**

**Moved by** Board Member Melinyshyn

THAT the minutes of the June 23, 2020 ONE JIB meeting be approved as circulated.

**Carried**

**3.b Business Arising from Minutes**

Chair Hughes noted there was one follow up item from the June 23, 2020 meeting. ONE staff were to report back to the Board on the implementation of the transition plans. This will be addressed under agenda item 6a.

**4. Communication**

**Moved by** Board Member Basdeo

THAT the Board receive the communication (June 26, 2020) from Guardian Capital about its recent signing of the United Nations Principles of Responsible Investing (UN PRI) as information.

**Carried**

**5. Delegations**

There were no delegations.

**6. Investment Oversight**

**6.a Update on Transition Plans Implementation**

Evelyn Foo, Chief Compliance Officer, ONE Investment, gave a verbal update to the Board on the implementation of the transition plans.



**Moved by** Board Member Basdeo

THAT the Board receive the transition plans implementation update and direct ONE Investment staff to provide a written report to the Board's meeting of September 16, 2020.

**Carried**

**6.b Investment Managers - Mawer Investment Management Ltd.**

Keith Taylor, Chief Investment Officer, ONE Investment, gave an overview relating to the ONE JIB's Global Equity Marketing Manager, Mawer Investment Management Ltd.

**Moved by** Board Member Giles

THAT the Board receive the report (July 14, 2020) and presentation from Keith Taylor, Chief Investment Officer, ONE Investment, on Mawer Investment Management Ltd. for information.

**Carried**

Anum Siddiqui, Institutional Client Management Team, and Patrick Fournell, Institutional Portfolio Manager, Mawer Investment Management Ltd., made a presentation to the Board.

**Moved by** Board Member Giles

THAT the Board receive the presentation from the representatives of Mawer Investment Management Ltd. for information.

**Carried**

**7. Governance and Administrative Matters**

**7.a Appointment of Auditor**

Evelyn Foo, Chief Compliance Officer, ONE Investment, made a presentation on the report regarding the appointment of Price Waterhouse Coopers (PWC) as auditor for the Prudent Investor funds.

**Moved by** Board Member Rettie

THAT the Board receive the report (July 14, 2020) and presentation from Evelyn Foo, Chief Compliance Officer, ONE Investment, on the appointment of Price Waterhouse Coopers (PWC) as auditor for the Prudent Investor funds, for information.

**Carried**

**Moved by** Board Member Melinyshyn

THAT the Board take a 10-minute recess, and resume at 10:40 a.m.

**Carried**

The Board recessed at 10:30 a.m. and reconvened at 10:43 a.m.

**8. Closed Session - Education Session - Code of Conduct and Municipal Conflict of Interest with John Mascarin, Partner, Aird & Berlis LLP - solicitor-client**

**Moved by** Board Member Melinyshyn

THAT the Board move into closed session for the purpose of holding an Education Session on the ONE JIB Code of Conduct and the *Municipal Conflict of Interest Act* with John Mascarin, Partner Aird & Berlis LLP, the Board's Integrity Commissioner and Closed Meeting Investigator - under the heading of solicitor-client privilege.

**Carried**

The Board convened in closed session at 10:43 a.m.

**9. Reconvene in Public Session**

**Moved by** Board Member Rettie

THAT the Board reconvene in public session.

**Carried**

The Board reconvened in public session at 12:58 p.m.

**Moved by** Board Member Melinyshyn

THAT the Board receive the confidential presentations from John Mascarin, Partner, Aird & Berlis LLP, the Board's Integrity Commissioner and Closed Meeting Investigator.

**Carried**

**10. Other Business**

There was no other business.

**11. Meeting Outcomes**

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

1. Received an information item from Guardian Capital.
2. Received an oral update on the transition plans implementation.
3. Received the Investment Manager - Mawer Investment Management Ltd. report and presentations.
4. Received the presentation and report on the appointment of Price Waterhouse Coopers (PWC) as auditor for the Prudent Investor funds.
5. Held a closed meeting education session with its Integrity Commissioner and Closed Meeting Investigator on the Board's Code of Conduct and the *Municipal Conflict of Interest Act*.

**12. Authorizing Motion**

**Moved by** Board Member Franken

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**

**13. Adjournment**

**Moved by** Board Member Giles

THAT the Board adjourn its meeting.

**Carried**

The meeting adjourned at 1:01 p.m.

**14. Next Meeting: September 16, 2020 - 9:00 a.m.**

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Denis Kelly, Board Secretary



## **ONE JIB**

### **Regular Board Meeting - Closed Session**

#### **Record**

**Meeting #:** 2020-04  
**Date:** July 14, 2020, 10:43 a.m.  
**Location:** Zoom Virtual Meeting

#### Members Present:

Board Chair B. Hughes  
Board Vice-Chair G. James  
A. Basdeo  
J. Dowty  
H. Franken  
J. Giles  
M. Melinyshyn  
S. Rettie

#### Others Present:

J. Dezell, Co-President/Co-CEO, ONE Investment  
D. Herridge, Co-President/Co-CEO, ONE Investment  
D. Kelly, Board Secretary  
John Mascarin, Partner, Aird & Berlis LLP, Integrity Commissioner and Closed Meeting Investigator  
K. Taylor, Chief Investment Officer, ONE Investment

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## **8. Closed Session - Education Session - Solicitor-Client**

The closed meeting session began at 10:43 a.m.

### **8.a Code of Conduct**

John Mascarin, Partner, Aird & Berlis, LLP, Integrity Commissioner and Closed Meeting Investigator, made a presentation on the ONE JIB Code of Conduct.

This was followed by a brief Question and Answer session.

**8.b Municipal Conflict of Interest Act**

John Mascarin, Partner, Aird & Berlis, LLP, Integrity Commissioner and Closed Meeting Investigator, made a presentation on the *Municipal Conflict of Interest Act*.

This was followed by a brief Question and Answer session.

(Mr. Mascarin agreed to provide Board Members Rettie and Melinyshyn with a legal opinion under separate cover relating to the application of the *Municipal Conflict of Interest Act* to their ability to participate and vote on matters relating to their municipalities (Bracebridge and Innisfil).

The closed session ended at 12:57 p.m.

**9. Back to Open Session**

**Moved by** Board Member Rettie

THAT the Board reconvene in open session.

**Carried**

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Denis Kelly, Board Secretary



# REPORT

To: Joint Investment Board  
From: Evelyn Foo, Chief Compliance Officer  
Date: September 16, 2020  
Re: Prudent Investor Transition  
Report: 20-024

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## 1. RECOMMENDATIONS

It is recommended that:

- (1) ONE staff seek the perspective of the Founding Municipalities on the Transition Plan implementation and report back to the ONE JIB.
- (2) The Chief Compliance Officer regularly meet with CIBC Mellon to ensure future issues are avoided.

## 2. SUMMARY

Summary of Prudent Investor Transition:

- \$300 million was successfully moved from HISA, Legal List funds and in-kind cash contributions into the Prudent Investment Funds based on the outcomes identified in each municipality's Investment Plan.
- Issues encountered with CIBC Mellon have been discussed between CIBC Mellon and ONE's Co-President/CEOs. CIBC Mellon understands what ONE Investment's expectations are on a go forward basis.

## 3. BACKGROUND

On July 2, 2020, the new Prudent Investment funds were launched. The funds were populated with the money not required immediately of the six Founding Municipalities: Bracebridge, Huntsville, Innisfil, Kenora, Muskoka, and Whitby. The funds form the basis of ONE JIB's Prudent Investment Program. This program is a legally compliant implementation of the prudent investor regime as described in section 418.1 of the *Municipal Act, 2001*. The program is designed to be scaled to accommodate investing needs of any municipality in Ontario.. To facilitate the scaling of the program, ONE JIB designed an Outcomes Based Framework, consisting of five different outcomes that can be used in a modular fashion to design a unique investment plan for each municipality based on their Investment Policy Statements (IPS) and Municipal Client Questionnaires (MCQ). The level of municipal customization is viewed as critical to the Prudent Investment Program's success. The approach does, however, increase the complexity of implementing transition plans as each outcome has its own unique mix of funds and weighted

allocations.

## 4. ANALYSIS

The transition took place on July 2 and 3, 2020 to accomplish the funding and settlement of the proceeds in the associated outcomes in the Prudent Investment funds. This transition was complex due to the multiple types of funding and subsequent allocation of trades to the appropriate outcomes for each municipality.

Operationally, the transition plans called for:

- \$300 million to be moved to Prudent Investment funds: \$155 million from HISA, and \$145 million in redemptions from ONE Investment's Legal List program portfolios ( \$81 million securities in-kind and \$64 million cash);
- The submission of 13 withdrawal orders for Legal List portfolios and the placement of 85 purchase orders for the new Prudent Investment funds;
- The co-ordination, timing and matching of the securities list between CIBC Mellon and the external managers for over 200 securities for the portion of withdrawal orders transacted through securities transferred in kind; and,
- The review and completion of documentation for CIBC Mellon, the external managers, in addition to the tax forms required for the new Prudent Investment funds.

Two issues were experienced during the transition:

- On June 30, 2020, ONE Investment was advised by CIBC Mellon they can only accept monies related to the PI Funds and could not accept or direct monies to a HISA bank account. This impacted the movement of \$128 million PI funding. ONE Investment and CIBC Mellon worked to revise the original process for the movement of PI monies in order to facilitate the transition. Founding Municipalities were notified of the process change for approval and authorization.
- CIBC Mellon held Legal List redemption instructions to liquidate the Legal List funds of \$145 million. These instructions were authorized by Founding Municipalities and redemptions were to be held by the CIBC Mellon Trust Account for redeployment to PI funds. CIBC Mellon inadvertently transferred the proceeds of the redemptions to municipalities' bank accounts. An additional communication was sent to Founding Municipalities by ONE Investment advising them of the error and requesting authorization for the retraction of said funds by CIBC Mellon.

On August 5, 2020 the Co-President/CEOs and Chief Compliance Officer met with Ash Tahbazian, Chief Client Officer with CIBC Mellon to discuss the issues experienced by ONE Investment during the transition. The discussion was productive, and CIBC Mellon has re-committed to improving customer service to ONE Investment. A follow-up meeting with the Co-President/CEOs will be scheduled in three months' time to re-evaluate CIBC Mellon's progress. The Chief Compliance Officer has scheduled monthly meetings with CIBC Mellon to ensure issues are addressed in a timelier fashion.



## 5. CONCLUSION

The operational issues encountered with CIBC Mellon on the transition days were effectively handled by ONE Investment staff to ensure appropriate workaround solutions and communication to the Founding Municipalities. As a result, no financial losses occurred as a result of these issues.

ONE successfully launched the Prudent Investment funds financed through a combination of proceeds from HISA, ONE Investment Legal List fund portfolios, and additional external proceeds from the Founding Municipalities.

Drafted by: Evelyn Foo, Chief Compliance Officer

Approved for submission by: Judy Dezell and Donna Herridge, Co-Presidents/CEO



# REPORT

To: ONE Joint Investment Board  
From: Keith Taylor, Chief Investment Officer  
Date: September 16, 2020  
Re: Overview of Canadian Fixed Income Mandates  
Report: 20-O25

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## 1. RECOMMENDATIONS

It is recommended that:

- 1) The Board receive this report for information.
- 2) ONE staff complete an annual review of ONE JIB Prudent Investment Program offerings in 2021
- 3) ONE staff develop draft terms of reference for a ONE JIB Committee to review product offerings for ONE JIB consideration in 2021

## 2. SUMMARY

For over two decades, MFS Investment Management (MFS) has partnered with ONE Investment in providing municipalities fixed income portfolio options compliant with the Legal List restrictions under the Municipal Act. The Canadian Government Bond Fund and the Canadian Corporate Bond Fund mandates used in the ONE Prudent Investor offering are based on existing Legal List mandates and are largely managed using the same restrictions. The manager will provide a summary of the mandates and a review of the design and performance of the funds. MFS also has some suggestions on how these mandates could be modified for ONE JIB's Prudent Investment Program offering. This discussion is intended to lay the groundwork for annual product review discussions, the first of which is proposed for Spring 2021.

## 3. BACKGROUND

### **MFS is a long standing ONE Investment fund manager**

Based on the longstanding relationship between MFS and ONE Investment and the success in managing Canadian fixed income mandates under the Legal List Program, MFS was asked to manage similar Prudent Investment Program fund mandates for ONE JIB.

MFS manages two Canadian fixed income funds under the Prudent Investment Program with mandates that mirror the Legal List ONE Canadian Government Bond Portfolio and the ONE Canadian Corporate Bond Portfolio. While the Prudent Investment mandates have similar mandates to the Legal List Program offerings, they are not subject to the same restrictions. It is

expected that there will be divergence between the Prudent Investment Program offering and the Legal List Program offering as the manager exercises greater flexibility of investment choices in the Prudent Investor regime. It is hoped that this divergence will lead to improved investment outcomes.

## 4. ANALYSIS

**The Canadian fixed income portfolios in the Prudent Investment Program are intended to provide diversification and potential for investment gains with low risk mandates**

The high credit quality of the Canadian Government Bond Fund and the Canadian Corporate Bond Fund provide exposure that has low correlation with equity exposure, which produces diversification benefits for the clients. These funds hold low risk securities. As the securities in these funds are all denominated in Canadian dollars, there is no foreign currency risk associated with these holdings. This helps create stability in the client investment portfolios.

**ONE's Investment Advisory Committee (IAC) regularly monitors and is satisfied with Manager's performance under the Legal List Program**

MFS is a longstanding partner with ONE Investment and has helped with the design and management of specialized mandates for municipalities. The IAC is familiar with MFS, its offerings, and has comfort with the manager. External consultants have reviewed manager performance and presented results to the IAC. No major issues or concerns have been identified, and the manager has quickly addressed any minor items noted by the IAC. The IAC has been satisfied with MFS's performance and approach to managing the mandates in its ongoing reviews.

**The Canadian Fixed Income mandates under the Prudent Investment Program have not been formally reviewed by the ONE JIB**

It is appropriate that ONE JIB deliberate about the purpose and orientation of the mandates and recommend changes as appropriate.

During the negotiations of the Investment Manager Agreements related to the Prudent Investment Program offerings, MFS raised the point that the mandate for the funds could be repositioned to use the additional flexibility permitted under the Prudent Investor regime. The minimum exposure to Government of Canada securities of 25% was dropped, as was the requirement to meet *Municipal Act* requirements and the sector limits. The overall purpose of the mandate has not changed. ONE JIB should consider changes to the mandates. Options include but are not limited to:

- Reducing the credit quality floor on the funds to include all investment grade bonds (e.g., adding BBB bonds).
- Reorienting the duration of bonds in the funds.
- Reducing overlap between the funds by changing the proportion of corporate versus sovereign ratios in each of the funds, perhaps establishing "pure play" mandates.

- Combining the two Prudent Investor Canadian fixed income funds into a single fund and mandate.
- Repurposing one of the mandates to give different exposure (e.g. money market, green bonds etc.)
- Considering other ideas that would improve risk adjusted returns or improve the Prudent Investment Program offering as a whole.

## 5. RECOMMENDATIONS

The Prudent Investment Program offerings have been funded for just over 60 days. The first report on the Prudent Investment Program performance will be available in November. The CIO recommends that ONE JIB consider adjusting the fixed income mandates adapted from ONE's Legal List program. It is recommended that these discussions be scheduled for Spring 2021 to ensure that ONE staff has adequate time and information available to appropriately prepare for product reviews and deliberations. Further, it is recommended that the ONE JIB Prudent Investment Program offerings be reviewed annually beginning in Spring 2021 to coincide with the mandate review discussions.

Drafted by: Keith Taylor, Chief Investment Officer

Approved for submission by: Judy Dezell and Donna Herridge - Co-Presidents/CEO



# ONE Investment Program Canadian Fixed Income Strategies

16 September 2020

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# Committed to Alignment



Creating value responsibly  
for investors



## COLLECTIVE EXPERTISE

- Integrated Research
- Diversity and collaboration
- Engagement



## LONG-TERM DISCIPLINE

- Conviction and longer time horizons
- Alignment of Incentives
- Continuity/Succession planning



## RISK MANAGEMENT

- Risk-aware culture
- Understanding material risks
- Capacity management

A History of Active Investing

42929.4

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799-I-CT-OIB OIU-16Sep20.1

# ONE Investment Fund/MFS Partnership

*Seeking to deliver customized fixed income solutions*



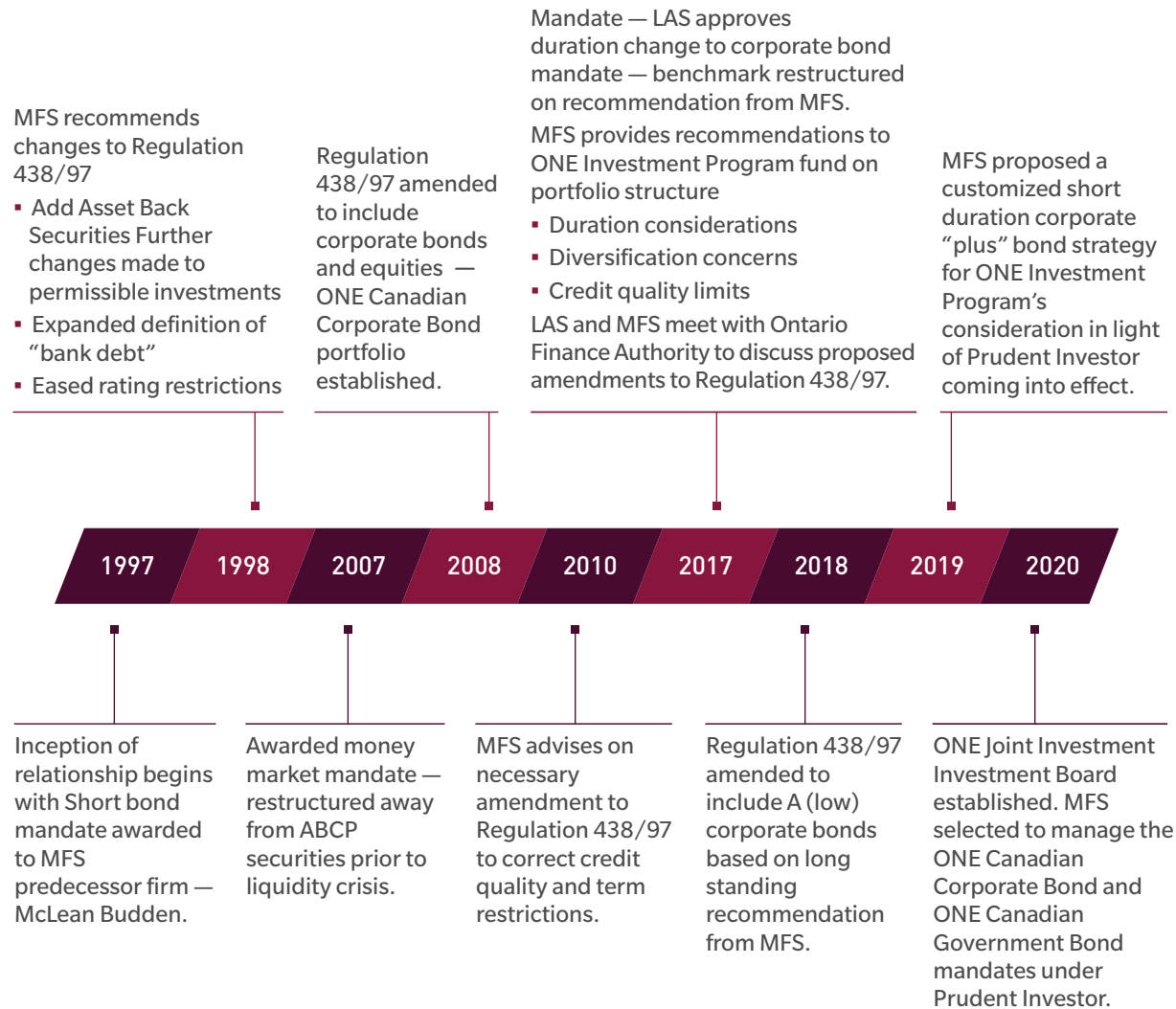
We are both focused on creating value responsibly for clients over the long-term

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799-I-CT-OIB OIU-16Sep20.2

# Timeline of ONE Investment Program and MFS

## History of enhancements



Long history of partnership to improve outcomes for municipalities

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# MFS® Global Research Platform



## Collaborative Research Environment



As of 30-Jun-20.

45798.1

We believe a fully integrated global research platform provides competitive advantages

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799-I-CT-OIB OIU-16Sep20.4

Multisector		
Global Aggregate CAD 5.3b	US Aggregate CAD 27.5b	Canadian Universe CAD 7.8b
Core	Limited Maturity	Short-Term
Core Plus	Core	Core
Opportunistic	Core Plus	Core Plus
	Opportunistic	Long-Term
		Long Plus

Sector-Specific				
Credit CAD 13.2b	High Yield CAD 5.4b	EMD CAD 16.5b	Government CAD 9.4b	US Municipals CAD 24.1b
Global IG Credit	US High Yield	Emerging Markets Debt	Global Sovereign	National Short Duration
Global Credit	Global High Yield	EM Local Currency Debt	Global TIPS	National Investment Grade
Euro Credit	Corporate BB	EMD Opportunities <sup>1</sup>	US Government	National High Yield
US IG Credit			US TIPS	14 State-Specific
US Credit			Mortgage-Backed Securities	Taxable
US Long-Duration Credit				
Buy and Maintain				

As of 30-Jun-20.

<sup>1</sup> The composite is comprised of a non-fee paying account consisting of MFS proprietary assets.

The assets by capability reflect composite level assets and other custom portfolios. There is some double counting across the asset totals as certain composites are sub-components of other strategies.

An array of strategies to meet client-specific needs

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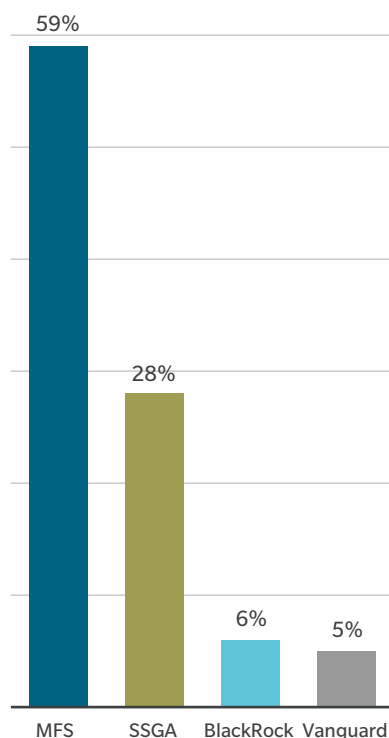
799-I-CT-OIB OIU-16Sep20.5

# Integrating ESG Factors With an Emphasis on Financial Materiality

ESG Scorecard



A Strong Record for Environmental and Social Proposals (%)

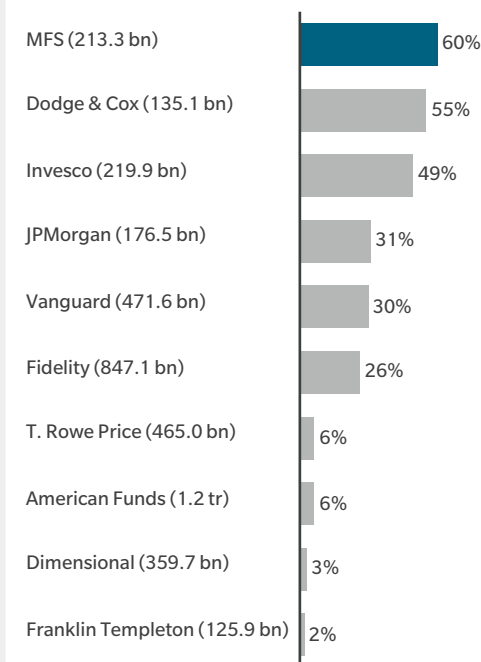


PRI Signatory Assessment Scores for the Past Five Years

Module	2016		2017		2018		2019		2020	
	MFS	Median	MFS	Median	MFS	Median	MFS	Median	MFS	Median
Strategy and Governance <sup>1</sup>	A	B	A+	A	A+	A	A+	A	A+	A
Listed Equity – Incorporation	A	A	A	A	A+	B	A+	B	A+	A
Listed Equity – Active Ownership	A	B	A	B	A	B	A+	B	A+	B
Fixed Income – SSA	A	C	A	B	A+	B	A+	B	A+	B
Fixed Income – Corp. Financial <sup>2</sup>	B	C	B	B	A	B	A+	B	A+	B
Fixed Income – Corp. Non-Financial	B	C	B	B	A	B	A+	B	A+	B
Fixed Income – Securitized	B	E	B	E	A	C	A	C	A	B

Blue shaded scores indicate where MFS scored higher than the median

10 Largest Active Equity Fund Managers and the % of Their Fund Assets With “High” or “Above Average” ESG Scores Per Morningstar Sustainability Ratings



Sources: Left chart: SSGA: Asset Stewardship Report 2018-19 Overview. BlackRock: 2019 Annual Engagement and Voting Statistics. Vanguard: Investment Stewardship 2018 Annual Report. Reporting period (1-Jul-18–30-Jun-19). Middle chart: PRI. Right chart: Morningstar Direct, as of 31-Dec-19. Based on the U.S. domiciled open end equity funds, excluding fund of funds and index funds and these funds are not available for sale outside the U.S.

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Please keep in mind that a sustainable investing approach does not guarantee positive results.

Active research that focuses on sustainable long-term outcomes

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# MFS® Global Fixed Income Team



**William Adams, CFA**  
CIO | Global Fixed Income

**Robert Almeida**, Chief Investment Strategist  
**Erik Weisman<sup>1</sup>, Ph.D.**, Chief Economist  
**Andrew Windmueller, CFA**, Director, Institutional Fixed Income

Broad Market Portfolio Management		
North America	Global	Institutional Portfolio Management
Josh Marston, <i>Director of Fixed Income, North America</i> Soami Kohly, CFA	Pilar Gomez-Bravo, CFA, <i>Director of Fixed Income, Europe</i> Robert Spector, CFA	Michael Adams, CFA Robert Hall Owen Murfin, CFA Katrina Uzun

Sector Portfolio Management						
Credit	High Yield	EMD	Securitized	US Gov't and Municipals	Sovereign	Money Market
Pilar Gomez-Bravo, CFA Andy Li, CFA Alex Mackey, CFA Henry Peabody, CFA Robert Persons, CFA	David Cole, CFA Michael Skatrud, CFA	Neeraj Arora <sup>1</sup> , CFA Ward Brown, Ph.D, CFA Matthew Ryan, CFA	Phil Burgener <sup>1</sup> , CFA Jake Stone <sup>1</sup> , CFA	Michael Dawson Jason Kosty Gary Lasman, CFA Geoffrey Schechter, CFA	Robert Spector, CFA Erik Weisman <sup>1</sup> , Ph.D.	Jeremy Bau <sup>2</sup> , CFA Cindy Neville <sup>2</sup> Edward O'Dette

Fixed Income Research						
Melissa Haskell, <i>Director of Research, North America</i>   Lior Jassur, <i>Director of Research, Europe</i>						
Global Credit	Global High Yield	EM Sovereign	EM Corporate	Securitized	Municipals	DM Sovereign
12 analysts 5 associates	11 analysts	3 analysts 1 associate	3 analysts 1 associate	1 analyst 2 associates	8 analysts 1 associate	2 analysts

Global Fixed Income Trading	Quantitative Analysis	Additional Resources	Summary	Portfolio Managers	Research Analysts	Research Associates	Traders
Nola Kopfer, <i>Director of Global Trading</i>  21 traders	5 quantitative research analysts  5 quantitative research associates	6 investment product specialists  2 fixed income legal counsel  1 ESG analyst  1 strategic solutions associate	Investment professionals	27	42	10	22
			Years industry experience	23	17	5	19
			Years MFS experience	13	8	3	12

As of 30-Jun-20.

<sup>1</sup> Maintains portfolio management and research responsibilities.

<sup>2</sup> Hybrid trader and portfolio management role. Included as trader not portfolio manager for headcount purposes.

Global broad-market and sector-specific expertise

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## Portfolio Management Team



**Josh Marston**  
Portfolio Manager  
27 years industry experience



**Soami Kohly, CFA, FSA, FCIA**  
Portfolio Manager  
26 years industry experience

Sector Level Expertise					
IG Corporate	High Yield	EMD	Securitized	Municipals	Quantitative
12 Fundamental Research Analysts	11 Fundamental Research Analysts	6 Fundamental Research Analysts	1 Fundamental Research Analyst	8 Fundamental Research Analysts	5 Quantitative Research Analysts
5 Research Associates			2 Research Associates	1 Research Associate	5 Research Associates
2 Traders	2 Traders	4 Traders	2 Traders	2 Traders	

<sup>1</sup> As of 30-Jun-20.

Pursuant to a sub-advisory agreement executed between MFS Institutional Advisors, Inc. and MFS Investment Management Canada Limited, MFS provides investment advice pursuant to statutory exemptions or regulatory relief, as applicable. Such advice is being rendered outside of Canada and certain members of the team may not be registered in any capacity with any Canadian securities regulatory authority.

**Highly experienced portfolio management team supported by the full resources of MFS' global research platform**

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# MFS® Canadian Fixed Income Approach

*Disciplined investment approach*



---

Combining top-down, bottom-up, and quantitative perspectives in order to provide a more insightful framework during risk budgeting and allocation decisions

---

Full suite of fixed income alpha levers utilized with an emphasis in areas where we believe markets are inefficient, including asset allocation and security selection

---

Security selection across plus sectors allows for thoughtful bond-by-bond portfolio construction, to facilitate for stable investment performance over time

---

Risk management is integrated into the investment process throughout portfolio construction and monitoring with the objective of ensuring risk is properly calibrated and consistent with investment conviction level

---

Seeks consistent alpha within a risk-managed framework

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# Legal List Portfolio Strategy Spectrum



Strategy	Objective	Benchmark	Duration	Assets (CAD Millions)	Inception
ONE Canadian Corporate Bond Portfolio	Provide competitive rates of return by investing in a diversified, conservatively managed portfolio of bonds, debentures, promissory notes or other evidences of indebtedness of corporations, governments or agencies thereof or supranational organizations or agencies thereof, as permitted by applicable regulation from time to time.	48% FTSE Canada Universe All Government Bond Index 40% FTSE Canada Short Term Corporate A Bond Index 10% FTSE Canada Short Term Corporate AAA/AA Bond Index 2% FTSE Canada 91 Day T-Bill Index	Benchmark +/- 1.5 years	254.8	01-Sep-08
ONE Canadian Government Bond Portfolio	Provide Investors with investments in highly-rated fixed income and money market securities permitted under the Municipal Act with maturities generally less than or equal to five years.	95% FTSE Canada All Government Short Term Index 5% FTSE Canada 91 Day T-Bill Index	Benchmark +/- 1 year	168.9	01-Oct-97
ONE Money Market Portfolio	Provide Investors with investments in highly-rated money market instruments permitted under the Municipal Act.	FTSE Canada 182 Day T-Bill Index	Similar to benchmark	19.4	01-Feb-07

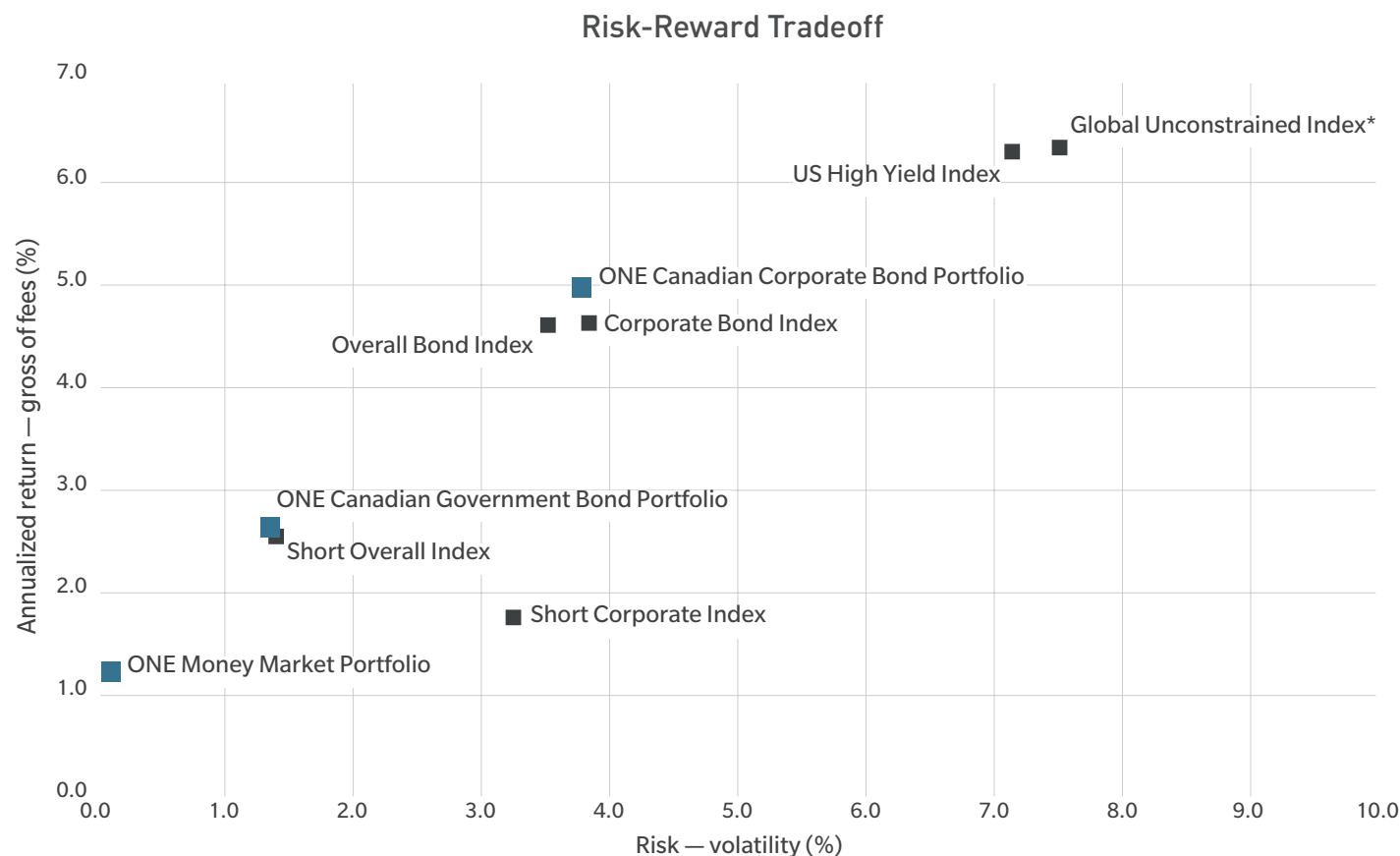
As of 03-Jul-20.

Tailored portfolio solutions designed within the context of the Regulations

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# ONE Investment Strategy Continuum



Source: FactSet, SPAR, Bloomberg Financial LP, Evestment.

\*Global Unconstrained is the median return and standard deviation of strategies in the Evestment Global Unconstrained Fixed Income Universe with a USD base currency. Short Corporate = FTSE Canada Short Term Corporate Bond Index, Short Overall = FTSE Canada Short Term Bond Index, Universe Overall = FTSE Canada Universe Bond Index, Universe Corporate = FTSE Canada All Corporate Bond Index, US High Yield = BofA Merrill Lynch US High Yield Index.

Data based on 10 years of historical monthly returns, as of 30-Jun-20.

**Focused on enhancing returns while managing risk**

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# Prudent Investor Portfolio Strategy Spectrum



Strategy	Objective	Benchmark	Duration	Assets (CAD Millions)	Inception
ONE Canadian Corporate Bond Fund	Provide competitive rates of return through a diversified, conservatively managed portfolio consisting primarily of Canadian bonds, debentures, promissory notes or other evidences of indebtedness of corporations, governments or agencies thereof or supranational organizations or agencies thereof.	48% FTSE Canada All Government Bond Index 40% FTSE Canada Short Term Corporate A Index 10% FTSE Canada Universe Corporate AAA/AA Index 2% FTSE Canada 91 Day T-Bill Index	Benchmark +/- 1.5 years	24.2	03-Jul-20
ONE Canadian Government Bond Fund	Provide investors with competitive rates of return through a diversified, conservatively managed portfolio consisting primarily of short-term Canadian bonds where preservation of capital in real terms is of prime concern.	95% FTSE Canada All Government Short Term Index 5% FTSE Canada 91 Day T-Bill Index	Benchmark +/- 1 year	24.2	03-Jul-20

As of 03-Jul-20.



Customized portfolios to meet the needs of Ontario municipalities under Prudent

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# Prudent Investment Fund Analysis — ONE Canadian Corporate Bond



## Current Portfolio

### Benchmark

48% FTSE Canada All Government Bond Index  
40% FTSE Canada Short Term Corporate A Index  
10% FTSE Canada Universe Corporate AAA/AA Index  
2% FTSE Canada 91 Day T-Bill Index

## Strategy Enhancement Considerations

### Benchmark

50% FTSE Mid-Term Corporate Bond Index  
50% FTSE Mid-Term Government Bond Index

## Portfolio Positioning as of 30-Jun-20

		Portfolio	Index	Range
Duration		6.0 yrs	6.1 yrs	Index +/- 0.5 yrs
Sector weights	Corporate	71%	50%	40–80%
	Federal	2%	22%	0–40%
	Provincial/Municipal	24%	26%	10–50%
	Cash and Equivalents	2%	2%	—
Quality	AAA/AA/A	99%	100%	100%
	BBB	1%	0%	
Issuer count	Corporate	29	61	
	BBB	2	0	

## Index Characteristics

		Index	Range
Duration		6.7 yrs	Index +/- 0.5 yrs
Sector weights	Corporate	50%	30–80%
	Federal	23%	0–40%
	Provincial/Municipal	27%	10–50%
	Cash and Equivalents	0%	—
Quality	AAA/AA/A	68%	100%
	BBB	32%	10–50%
Issuer count	Corporate	90	
	BBB	55	

For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Dominion Bond Rating Service (DBRS), Standard and Poor's, Moody's Investors Service, and Fitch rating agencies. In cases where the agencies do not agree on the credit rating, the rating is classified according to the following rules: If two agencies rate a security, and the ratings are not equal, use the lower of the two ratings; if three agencies rate a security, use the most common rating; in the rare event that all three agencies disagree, use the middle rating. If four agencies rate a security, use the most common rating; if four agencies rate a security with a two way split, use the lower rating. In the highly unlikely event that all four agencies disagree, consider the three lower ratings applying the three rating methodology rule. If none of the 4 Rating Agencies above assign a rating, but the security is rated by DBRS Morningstar, then the DBRS Morningstar rating is assigned. Ratings are shown in the S&P and DBRS scale (e.g., AAA). All ratings are subject to change. U.S. Government includes securities issued by the U.S. Department of the Treasury. Federal Agencies includes rated and unrated U.S. Agency fixed-income securities, U.S. Agency MBS, and CMOs of U.S. Agency MBS. Other Not Rated includes fixed income securities which have not been rated by any rating agency.

Similar duration and increased flexibility around credit quality and corporate issuers

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# Prudent Investment Fund Analysis — ONE Canadian Government Bond



## Current Portfolio

### Benchmark

95% FTSE Canada All Government Bond Index  
5% FTSE Canada 91 Day T-Bill Index

## Strategy Enhancement Considerations

### Benchmark

FTSE Canada Short Term Overall Bond Index

## Portfolio Positioning as of 30-Jun-20

		Portfolio	Index	Range
Duration		2.7 yrs	2.9 yrs	Index +/- 0.5 yrs
Sector weights	Corporate	43%	0%	10–50%
	Federal	23%	65%	10–70%
	Provincial/Municipal	25%	30%	10–50%
	Cash and Equivalents	9%	5%	—
Quality	AAA/AA/A	100%	100%	100%
	BBB	0%	0%	0%
Issuer count	Corporate	9	0	
	BBB	0	0	

## Index Characteristics

		Index	Range
Duration		2.8 yrs	Index +/- 0.5 yrs
Sector weights	Corporate	33%	10–50%
	Federal	46%	10–70%
	Provincial/Municipal	21%	10–50%
	Cash and Equivalents	0%	—
Quality	AAA/AA/A	85%	75–100%
	BBB	15%	0–25%
Issuer count	Corporate	133	
	BBB	75	

For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Dominion Bond Rating Service (DBRS), Standard and Poor's, Moody's Investors Service, and Fitch rating agencies. In cases where the agencies do not agree on the credit rating, the rating is classified according to the following rules: If two agencies rate a security, and the ratings are not equal, use the lower of the two ratings; if three agencies rate a security, use the most common rating; in the rare event that all three agencies disagree, use the middle rating. If four agencies rate a security, use the most common rating; if four agencies rate a security with a two way split, use the lower rating. In the highly unlikely event that all four agencies disagree, consider the three lower ratings applying the three rating methodology rule. If none of the 4 Rating Agencies above assign a rating, but the security is rated by DBRS Morningstar, then the DBRS Morningstar rating is assigned. Ratings are shown in the S&P and DBRS scale (e.g., AAA). All ratings are subject to change. U.S. Government includes securities issued by the U.S. Department of the Treasury. Federal Agencies includes rated and unrated U.S. Agency fixed-income securities, U.S. Agency MBS, and CMOs of U.S. Agency MBS. Other Not Rated includes fixed income securities which have not been rated by any rating agency.

Single benchmark and additional flexibility around credit quality and corporate issuers

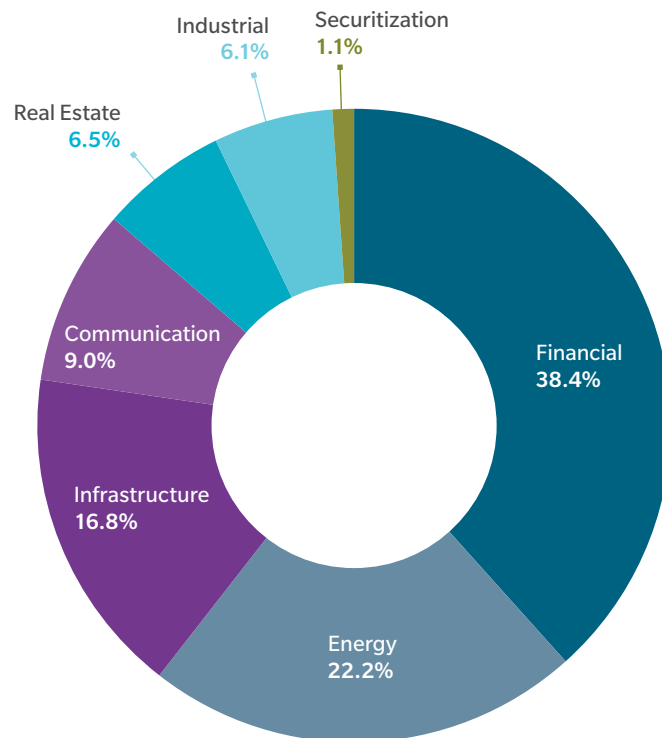
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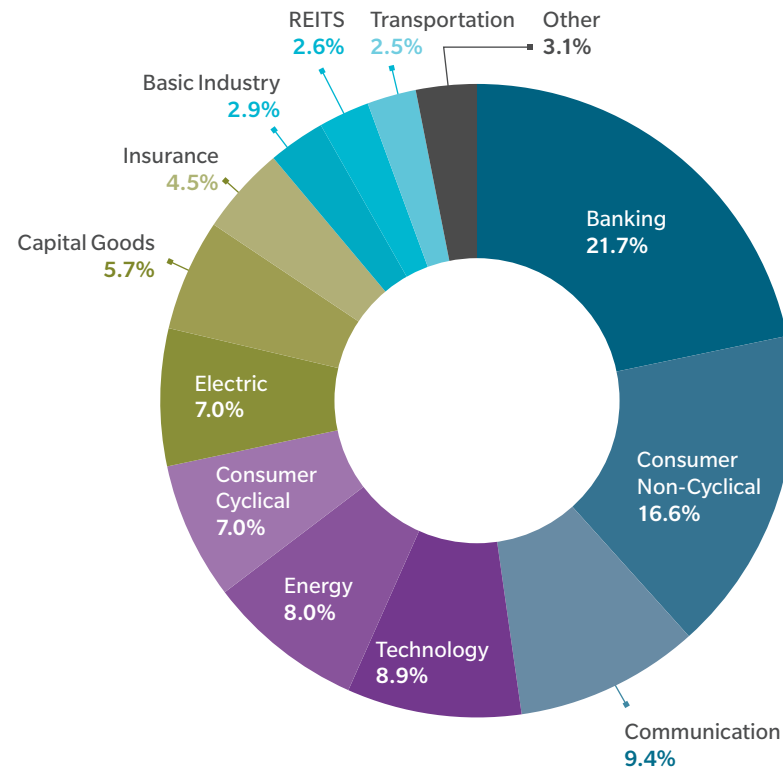
# A Concentrated Canadian Market



FTSE Canada Universe  
Corporate Bond Index



Bloomberg Barclays U.S. Corporate  
Investment Grade Index



Source: Bloomberg PORT. Data as of 30-Jun-20.

There are significant opportunities to diversify outside Canada

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## ONE Canadian Government Bond Portfolio

## Performance Results – Gross of Fees (CAD)

Relative to 5% FTSE Canada 91 Day T-Bill, 95% FTSE Canada Short Term Government Bond



As of 30-Jun-20	Period	Portfolio Gross (%)	Benchmark (%)	Excess Return Gross vs. Benchmark (%)
Quarterly returns	2Q20	2.47	1.14	1.33
	1Q20	1.89	2.95	-1.06
	4Q19	0.02	-0.03	0.05
	3Q19	0.34	0.24	0.10
Annual returns	2020 year to date	4.41	4.12	0.29
	2019	3.11	2.36	0.75
	2018	1.95	1.93	0.02
	2017	0.32	-0.33	0.65
Annualized returns	1 year	4.78	4.34	0.44
	3 years	3.12	2.69	0.43
	5 years	2.31	1.79	0.52
	7 years	2.57	2.10	0.47
	10 years	2.63	2.16	0.47
	Since inception (01-Oct-97)	4.03	3.85	0.18

Source: Benchmark performance from SPAR, FactSet Research Systems Inc. It is not possible to invest directly in an index.

**Past performance is no guarantee of future results.** For periods of less than one-year returns are not annualized.

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OIB-PODBK-19-Aug-20

# Sector Attribution Summary

Relative to benchmark^^ — one year as of 30 June 2020



Performance Summary (bps)	
Portfolio	475
Benchmark	434
<b>Active</b>	<b>42</b>

Attribution Summary (bps)	
<b>FX allocation &amp; hedging</b>	<b>0</b>
<b>Total yield curve</b>	<b>-6</b>
Average (parallel shift)	-16
Yield curve positioning	10
<b>Asset allocation</b>	<b>59</b>
<b>Security selection</b>	<b>3</b>
<b>Other^</b>	<b>-6</b>

## Yield Curve Outperformance Details

Key Rates	Avg. Shift	6 mo	2 yr	5 yr	10 yr	20 yr	30 yr
<b>CAD — Government</b>							
Duration o/w (yr)	0.10	0.07	-0.36	0.08	0.30	0.00	0.00
Yield change (bps)	-114	-153	-120	-104	-94	-72	-68
Outperformance (bps)	-16	6	-4	3	-2	0	-0

## Excess of Curve Return Allocation Details

	Portfolio Average Weighting (%)	Benchmark Average Weighting (%)	Average Relative Weighting (%)	Portfolio Excess Return (bps)	Benchmark Excess Return (bps)	Sector Allocation (bps)	Security Selection (bps)	Total Effect (bps)
Financial	37.53	0.00	37.53	183	0	56	0	56
Federal	26.99	71.16	-44.17	14	12	7	1	8
Provincial	27.07	27.02	0.05	66	57	0	2	2
Municipal	1.84	1.82	0.02	26	60	0	-1	-1
Securitization	2.53	0.00	2.53	-11	0	-1	0	-1
CASH	4.04	0.00	4.04	0	0	-3	0	-3
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>87</b>	<b>25</b>	<b>59</b>	<b>3</b>	<b>61</b>

^ Includes impacts from intra-day, interest rate derivative basis, leverage, pricing differences, and exclusions.

^^Benchmark: 95% FTSE Canada Short Term Government Bond Index, 5% FTSE Canada 91 Day T-Bill Index linked to previous benchmark

Source: Bloomberg PORT.

Attribution results are generated by the Bloomberg PORT application utilizing a methodology which is accepted in the investment industry. Results are derived from a transaction based, hybrid model which blends sector and factor-based attribution and does not include expenses. As such, attribution results are essentially estimates and may not aggregate to the total return of the portfolio or of the benchmark which can be found elsewhere in this presentation.

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## ONE Canadian Corporate Bond Portfolio



## Performance Results – Gross of Fees (CAD)

Relative to 48% FTSE Canada Universe All Government Bond Index, 40% FTSE Canada Short Term Corporate A Index, 10% FTSE Canada Universe Corporate AAA/AA Index, 2% FTSE Canada 91 Day T-Bill Index linked to previous benchmark



As of 30-Jun-20	Period	Portfolio Gross (%)	Benchmark (%)	Excess Return Gross vs. Benchmark (%)
Quarterly returns	2Q20	5.34	4.70	0.64
	1Q20	0.87	1.35	-0.48
	4Q19	-0.41	-0.36	-0.05
	3Q19	0.69	0.79	-0.10
Annual returns	2020 year to date	6.25	6.12	0.13
	2019	5.58	5.35	0.23
	2018	1.60	1.65	-0.05
	2017	2.62	1.99	0.63
Annualized returns	1 year	6.55	6.56	-0.01
	3 years	4.52	4.26	0.26
	5 years	3.86	3.52	0.34
	7 years	4.53	4.15	0.38
	10 years	4.61	4.22	0.39
	Since inception (01-Sep-08)	4.98	4.51	0.47

Source: Benchmark performance from SPAR, FactSet Research Systems Inc. It is not possible to invest directly in an index.

**Past performance is no guarantee of future results.** For periods of less than one-year returns are not annualized.

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OIU-PODBK-19-Aug-20

# Sector Attribution Summary

Relative to benchmark^^ — one year as of 30 June 2020



Performance Summary (bps)	
Portfolio	654
Benchmark	639
<b>Active</b>	<b>15</b>

Attribution Summary (bps)	
FX allocation & hedging	0
Total yield curve	-19
Average (parallel shift)	-12
Yield curve positioning	-6
Asset allocation	23
Security selection	23
Other^	-8

## Yield Curve Outperformance Details

Key Rates	Avg. Shift	6 mo	2 yr	5 yr	10 yr	20 yr	30 yr
<b>CAD — Government</b>							
Duration o/w (yr)	0.05	0.03	-0.24	0.19	0.21	0.03	-0.17
Yield change (bps)	-91	-153	-120	-104	-94	-72	-68
Outperformance (bps)	-12	5	-11	-1	-2	-13	13

## Excess of Curve Return Allocation Details

	Portfolio Average Weighting (%)	Benchmark Average Weighting (%)	Average Relative Weighting (%)	Portfolio Excess Return (bps)	Benchmark Excess Return (bps)	Sector Allocation (bps)	Security Selection (bps)	Total Effect (bps)
Provincial	16.87	24.23	-7.36	-117	-143	16	10	26
Federal	13.01	23.35	-10.34	36	20	16	4	20
Energy	3.15	2.80	0.35	8	-232	1	8	9
Real Estate	4.85	3.44	1.41	24	-199	-3	11	8
Infrastructure	6.28	2.16	4.12	68	-68	-2	9	7
Industrial	2.93	2.02	0.90	22	-3	1	1	1
CASH	1.50	0.00	1.50	0	0	-1	0	-1
Securitization	4.93	1.28	3.65	-47	-33	-1	-1	-2
Communication	0.00	2.17	-2.26	0	-44	-3	0	-3
Municipal	3.24	1.40	1.83	-198	-107	-2	-3	-5
Financial	43.24	37.15	6.09	30	63	2	-16	-15
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>-0.09</b>	<b>30</b>	<b>-15</b>	<b>23</b>	<b>23</b>	<b>46</b>

^ Includes impacts from intra-day, interest rate derivative basis, leverage, pricing differences, and exclusions.

^^Benchmark: 48% FTSE Canada Universe All Government Bond Index, 40% FTSE Canada Short Term Corporate A Index, 10% FTSE Canada Universe Corporate AAA/AA Index, 2% FTSE Canada 91 Day T-Bill Index linked to previous benchmark

Source: Bloomberg PORT.

Attribution results are generated by the Bloomberg PORT application utilizing a methodology which is accepted in the investment industry. Results are derived from a transaction based, hybrid model which blends sector and factor-based attribution and does not include expenses. As such, attribution results are essentially estimates and may not aggregate to the total return of the portfolio or of the benchmark which can be found elsewhere in this presentation.

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## Appendix



Contents	Page
MFS Canadian Money Market Fund	23

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# MFS Canadian Money Market Fund



## Investment Philosophy

To provide a real rate of return through investing in a diversified portfolio of Canadian dollar debt typically with a maturity of less than one year. It is expected that the vast majority of the Fund's return will be derived from income.

## Performance Objective

Outperform the FTSE Canada 91-Day Treasury Bill Index over moving four-year periods.

## Asset Mix

	Min (%)	Max (%)
Treasury Bills, Bankers' Acceptance, Commercial Paper, Term Deposits and Asset Backed Commercial Paper & Short Term Debt Securities Maturing within 1 year	85	100
Cash	0	15

## Diversification

		Min [%]	Max [%]
Issuer	Federal Government and Guarantees	30	100
	Non-Federal (Provincial & Municipalities) Government Guarantees	0	70
	Bankers' Acceptances Commercial Paper and Asset-Backed Commercial Paper	0	70
Credit Quality	R-1 High	30	100
	R-1 Mid	0	70
	R-1 Low	0	10

Ratings are provided by Dominion Bond Rating Service (DBRS) or a comparable agency.

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# MFS Canadian Money Market Fund

Continued...



## Duration

The Fund's term-to-maturity will range between 15-180 days.

## Eligible Investments

- Pooled or commingled products managed by MFS if consistent with the Fund's investment objective.
- Floating rate securities with final maturities in excess of one year. The Fund deems the security reset date (typically one to three month intervals) as the securities' maturity date for the purposes of the maturity target described in the Fund's investment philosophy.
- Treasury Bills
- Bankers' Acceptances and Bearer Deposit Notes (BDNs)
- Term Deposits
- Floating-Rate Notes (FRN)
- Commercial Paper and Asset-Backed Commercial Paper or similar instruments that receive a minimum R-1 (Low), or equivalent, rating by a recognized rating agency
- Government and corporate bonds maturing within one year

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— ONE Investment Program

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