



**ONE JIB
Regular Board Meeting
Agenda**

Meeting #: 2020-08
Date: December 15 2020, 9:00 a.m.
Location: Zoom Virtual Meeting

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ONE JIB

Regular Board Meeting

Minutes

Meeting #: 2020-07
Date: November 18, 2020, 9:00 a.m.
Location: Zoom Virtual Meeting

Members Present:

Board Chair B. Hughes
Board Vice-Chair G. James
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
D. Kelly, Board Secretary
K. Taylor, Chief Investment Officer, ONE Investment

1. Chair's Welcome

Board Chair Hughes welcomed all to the meeting.

2. Disclosures of Pecuniary Interest

There were no disclosures of pecuniary interest.

3. Minutes of Previous Meeting

3.a Approval of Minutes

Moved by Board Vice-Chair James

THAT the minutes of the October 20, 2020 ONE JIB Meeting be approved as circulated.

Carried

3.b Business Arising from Minutes

There was no business arising from minutes.

4. Communication

Board Chair Hughes indicated that the Agenda included a communication from Mawer Investment Management Ltd., the Board's Marketing Manager for Global Equity Funds, relating to the appointment of Christian Deckart, CFA, Ph.D, as the lead manager for Mawer's Global Equity Strategy.

Moved by Board Member Giles

THAT the Board receive the communication.

Carried

5. Delegations

There were no delegations.

6. Governance and Administrative Matters

6.a ONE JIB Recruitment Process and Tools

Judy Dezell, Co-President/CEO, ONE Investment made a presentation and provided key highlights from the ONE JIB Recruitment Process report.

Moved by Board Member Dowty

THAT the Board receive the presentation from Judy Dezell, Co-President/Co-CEO, ONE Investment, and adopt the four recommendations in the report dated November 18, 2020, namely to adopt the ONE JIB Recruitment Process report dated November 18, 2020, approve the Skills Matrix attached as Appendix A to

the report, approve the ONE JIB Director Job Description attached as Appendix B to the report and direct ONE staff to provide the Board with the next review of the Skills Matrix in the fall of 2021.

Amendment moved by Board Member Franken

THAT the fifth Qualification in the Job Description for a ONE JIB Director, attached as Appendix B, be amended to add the words “or professional body” so that it now reads:

“not having been declared bankrupt or had disciplinary action by a security regulator or self-regulating investment organization *or professional body* in the past twenty years.”

Amendment moved by Board Chair Hughes

THAT the words "Willing to engage in discussions with differences of opinion, but able to ‘speak with one voice’ on Board decisions" be deleted from the Board Governance/Knowledge section of the Skills Matrix, attached as Appendix A, as they are a repeat of the words contained in the Communications section.

The amendments carried.

The main motion moved by Board Member Dowty carried, as amended.

6.b Nominating Committee

Judy Dezell, Co-President/CEO, ONE Investment, made a presentation and provided key highlights from the Nominating Committee report.

Moved by Board Member Rettie

THAT the Board receive the presentation from Judy Dezell, Co-President/Co-CEO, ONE Investment, and adopt the recommendation in the ONE JIB Nominating Committee report dated November 18, 2020, to appoint Board Chair Hughes, Vice Chair James, and Board Members Dowty and Giles to form a Nominating Committee to recruit two new board members.

6.c Board Governance Self-Evaluation

Board Chair Hughes made a presentation on the Board Governance Self-Evaluation.

Moved by Board Member Rettie

THAT the Board receive the presentation from Board Chair Hughes and approve the ONE JIB Self-Assessment Questionnaire Fall 2020 attached as Appendix A to the report dated November 18, 2020.

There were various amendments to the Questionnaire moved by the Board Members.

Amendments moved by Board Member Franken

1. THAT Section A be amended to add the following:

9. The ONE JIB has been transparent in how it conducts its business and how it reports out to its participating municipalities

2. THAT Section B be amended to add the following:

13. The quality of the process for onboarding Directors

3. THAT Section C be amended to add the following:

4. The ONE JIB exercises an objective and independent role separate from staff

4. THAT Section D be amended to add the following:

14. Developing a succession plan for key roles on the Board

Amendments moved by Board Member Dowty

5. THAT the question for Section D be amended to read “What should the ONE JIB’s priorities be *during 2021 and 2022*?”

6. THAT Section D.3 be amended to read “Building relationships with *current founding* municipal investors *and participating municipalities*”

Amendments moved by Board Member Giles

7. That Section D be amended to add the following:

15. Risk management

8. That Section D be amended to add the following:

16. Working with ONE Investment to develop education and training materials on investments for municipalities

The amendments carried.

The main motion moved by Board Member Rettie carried, as amended.

7. Strategy and Policy

7.a Review of IPS, MCQ and Investment Plan

Keith Taylor, Chief Investment Officer, ONE Investment made a presentation and provided key highlights from the Review of the Investment Plan, Municipal Client Questionnaire and Investment Policy Statement Templates report.

Moved by Board Member Melinyshyn

THAT the Board receive the presentation from Keith Taylor, Chief Investment Officer, ONE Investment and adopt the four recommendations in the report dated November 18, 2020 as amended, to approve the attached Municipal Client Questionnaire template, Investment Policy Statement template and Investment Plan template and direct staff to bring the next annual review of the templates to the Board in the Fall 2021.

Amendments moved by Board Member Giles

1. THAT the initial words of the third bullet in section 6.7.2 of the Investment Policy Statement (IPS) be amended to read as follows:

“A listing of individual investments held *at the fund level...*”

2. THAT the initial words of section 2.2 of the Municipal Client Questionnaire (MCQ) be amended to read as follows:

2.2 Check the following *list of investments* that apply to the Municipality’s current investment portfolio.

3. THAT the first bullet point under section 3.1 of the Municipal Client Questionnaire be amended to read as follows:

“Capital preservation is the main objective. Willingness to accept low returns in order to *minimize the likelihood of losses.*”

Amendments moved by Board Chair Hughes

4. THAT the following question and table outlining details of each Municipality’s MNRI by Reserve and Investment Horizon be Inserted between sections 4.1 and 4.2 of the Municipal Client Questionnaire

Please provide a table showing reserves and reserve funds divided into “Money Required Immediately” and “Money Not Required Immediately” with investment time horizons.

MNRI Determination							Investment Horizon				
Reserve	Brief Description	Balance End 2020	MRI (ST) %	MNRI (LT) %	MRI Amount	MNRI Amount	0-18 months	18 months – 3 yrs	3-5 yrs	5-10 yrs	10+ yrs

Note: MNRI can be determined on the basis of time, source of funds, purpose of funds, or such other means as the municipality may decide is appropriate.

5. THAT sections 4.3, 4.4 and 4.5 of the Municipal Client Questionnaire be deleted.

6. THAT the following section be inserted prior to section 4.6 of the draft Municipal Client Questionnaire:

4.4 Please provide a copy of the Municipality's multi-year capital plan and its asset management plan, to the best of your ability, by year and funding source

Amendment to the amendment moved by Board Member Melinyshyn

THAT it be understood that the portion of the table referred to in amendment 4 moved by Board Chair Hughes relating to 0-18 months will not be populated if it does not include MNRI.

Amendment to the amendment moved by Board Member Rettie

THAT the table referred to in amendment 4 moved by Board Chair Hughes be amended to refer to "Reserve Type" in the first column.

The amendments carried.

The main motion moved by Board Member Melinyshyn carried, as amended.

8. Investment Oversight

8.a Quarterly Performance Reporting

Keith Taylor, Chief Investment Officer, ONE Investment made a presentation and provided key highlights from the Quarterly Performance Reporting report.

Moved by Board Member Franken

THAT the Board receive the presentation from Keith Taylor, Chief Investment Officer, ONE Investment and adopt the recommendation in the report dated November 18, 2020 to receive the Quarterly Performance Reporting report.

Amendment moved by Board Member Rettie

THAT staff be directed to develop options for clarifying that the “Quarter” and “Year to Date” columns are not annualized.

Amendment moved by Board Member Dowty

THAT staff be directed to provide two separate commentaries for the Canadian Equity Fund and Global Equity Fund.

Amendment moved by Board Member Giles

THAT staff be directed to indicate that the returns are net of/after fees.

The amendments carried.

The main motion moved by Board Member Franken carried, as amended.

9. Other Business

In response to a question from Board Member Giles, Keith Taylor, Chief Investment Officer, ONE Investment will make the quarter-ended reports from Mawer and Manulife available to the Board members after the ONE JIB meeting.

10. Meeting Outcomes

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

1. Approved the recruitment process and established a nominating committee to recruit candidates to fill the two ONE JIB vacancies.
2. Received the Board Governance Self-Evaluation report, as amended, which staff will include and send out for the ONE JIB Board Members to complete.
3. Received and approved amendments to the templates of the Investment Policy Statement, Municipal Client Questionnaire and Investment Plan.

4. Received the first quarterly performance reports of the Founding Municipalities, and directed that specific amendments be made.

11. Authorizing Motion

Moved by Board Member Giles

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

12. Adjournment

Moved by Board Vice-Chair James

THAT the Board adjourn its meeting.

Carried

The meeting adjourned at 11:07 a.m.

13. Next Meeting: December 15, 2020 - 9:00 a.m.

Denis Kelly, Board Secretary

From: [Fernanda Lazzaro](#)
To: [Judy Dezell](#)
Subject: HISA Rate Change Effective January 1, 2021
Date: December 3, 2020 12:58:17 PM

[HOMEPAGE](#) [PRIVACY POLICY](#)

ONE Investment Logo



MUNICIPAL INVESTOR UPDATE

News, tips and expertise on investing specific to the municipal sector

Dear ONE Client:

The interest rate on the ONE Investment High Interest Savings Account is changing to 0.165%, effective January 1, 2021. CIBC is changing the rate calculation from Bank Prime Rate to CIBC's monthly average prime less 2.285%, which also includes ONE reducing our administrative fee to give our investors the best possible return.

ONE is also exploring other options. Through the collective investment power of the Ontario municipal community, ONE has been able to offer a High Interest Savings Account at a highly competitive rate since 2015. Ontario municipalities hold more than \$2 billion in the ONE HISA account. This gives us considerable leverage to pursue other products or other providers to improve returns for all investors.

As we consider our options, **we will be sending a survey to all HISA investors this week** for insight on your preferences. This will help inform our decision and ensure that we meet the needs of the sector. Please take a moment to share your opinion.

As the economic pressures caused by COVID keep interest rates low, municipalities should also consider investing money needed for the longer term more strategically. ONE Investment has an Investment Advisory Services Team available to help you identify how much you can put into longer term investments that could generate greater returns in other securities like fixed income or equities.

ONE Investment was created by municipalities, for municipalities. We remain committed to providing Ontario's municipal community with better returns and lower fees than you could achieve on your own.

LINKEDIN

ONE Investment has an official business page on [LinkedIn](#). Join now to get regular updates on what's happening with the program and the market.

For previous newsletters, [click here](#).

For any ONE Investment inquiries, please contact [Wardah Mir](#), Client Service Representative.

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Investing for the future



Stephen Rettie (CPA, CMA) is Chief Administrative Officer for the Town of Bracebridge and a member of the ONE Investment Joint Investment Board. He previously served as Bracebridge's Director of Finance/Treasurer and was also Treasurer for the Township of Muskoka Lakes and a Controller in the private sector.

Even before COVID-19, people expected a lot from their municipalities. They wanted good roads, quality recreational facilities, and somewhere safe to call home. An ageing population and climate change added further to the demands on municipal government. The pandemic has further increased the load on municipal services and depleted finances.

On the upside, however, Ontario municipalities now have a new path to help raise funds for capital investments in infrastructure and other needs.

New Prudent Investor Standard

With the introduction of the prudent investor standard for Ontario municipalities, local governments have the potential to earn more revenue over the long-term. That's because, under the prudent standard, they can invest in a more diverse range of options, including non-Canadian securities.

Given the range of fiscal issues facing all orders of government during the COVID-19 pandemic, any new source of revenue is a welcome addition to the municipal toolbox.

Bracebridge was among the first municipalities in Ontario to pursue prudent investing. The City of Toronto received permission earlier and has been doing so for a couple of years. Even as a smaller municipality, the town wanted to find a way to take advantage of the new opportunity.

One of the main criteria to participate in the prudent investor standard is that the municipality must

have at least \$100 million in money and investments that it does not require immediately.

Fortunately, the regulation allows municipalities to pool their investments to meet the \$100 million threshold. Bracebridge opted to become a founding member of the ONE Joint Investment Board (JIB). Collectively with five other municipalities, the town meets the threshold, opening the door to significant future revenues. The other municipalities include the towns of Huntsville, Innisfil, and Whitby, the District of Muskoka, and the City of Kenora. Thus far, they have formed the only joint investment board in Ontario. It makes sense to work collaboratively with other municipalities when tackling this challenge.

Bracebridge Plans for the Future

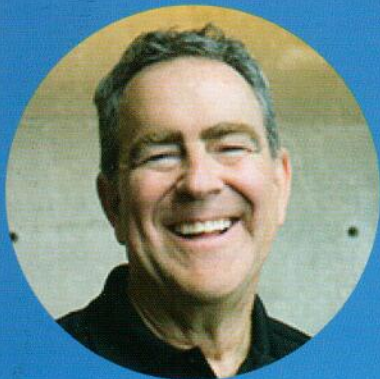
While some elected officials may be wary of investing public dollars, Bracebridge Mayor Graydon Smith was supportive early on.

"This is a new tool for municipalities like ours to plan for the future, without relying entirely on tax revenue or grants to fund projects," Mayor Smith said. "It's a critical opportunity to help fund our asset management plan and we did not want to miss out."

The mayor pointed to the town's ongoing project to build a new multi-use community centre. Through its investment plan, Bracebridge is able to offset the increase in construction costs that occur normally over the long time required to plan a large project. This is important because the benefits of

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saving for a project are diminished if the money saved won't buy as much in future years.

While this particular project got underway before the rules around the prudent investor standard were changed, it illustrates how investing smartly can reap rewards for municipalities. With the new powers in place, there is even more potential for lower risk, greater reward investing.

"With all the financial challenges we face, it made sense for us to take advantage of this opportunity," Mayor Smith added. "Besides pooling financial resources through the JIB, we are able to access greater investment expertise than we could locally to ensure our investment strategy will be on target."

Riding Out Fluctuations and Uncertainty

The combination of a more flexible, diverse portfolio with professional oversight is particularly helpful in current financial markets. And because municipalities are making long-term investments, it means that they can ride out the fluctuations and uncertainty due to COVID-19 and still meet their goals.

Linking investments to the management of municipal assets and infrastructure is a key priority. As Bracebridge builds its new community centre, investment revenue will be key to restocking savings for the next important project. Investments will be based on the local asset management plan, which every Ontario municipality is required to have.

Bracebridge's investments fall into three main categories:

- **Contingencies** – Long-term savings set aside for emergencies, such as flooding.
- **Stable returns** – Investments that will provide stable returns with minimal risk to principle, to fund regular infrastructure needs like ongoing maintenance of an arena.
- **Target date project** – Long-term investments monitored and adjusted to mature at a specific time to fund a specific project, like a bridge replacement in 30 years.

Treasurers know that some council education is required about investing public tax dollars in equities. But once informed, most will understand that a broader, more diverse portfolio actually reduces risk, especially when time is on your side.

The municipality has control over the level of risk exposure through an investment policy statement, which is approved by council. While elected officials are not allowed to directly make investment decisions under the rules, ample oversight and reporting ensures accountability.

Because of the resources in place through the Joint Investment Board, Bracebridge went through all the steps without needing to add further staff capacity or hire additional expertise, although that is another option.

Reduce Risk, Maximize ROI

Because of the regulations, working with other municipalities and outside experts helps treasurers navigate the way to better returns over the long run.

"It is essential, of course, that public money is spent correctly and for the greater good of the community in which it is being invested," Mayor Smith added. "The prudent investor standard, while offering a way to maximize returns on investments, does set high standards. This reduces risk and is the right thing for our town and our residents." **MW**



REPORT

To: ONE Joint Investment Board
From: Suzanna Dieleman, Manager, Investment Services (A)
Date: December 15, 2020
Re: ONE JIB Committee - New Product Offerings
Report: 20-O35

1. RECOMMENDATIONS

It is recommended that the Board:

- a. Approve the creation of a new committee of the ONE JIB to identify and evaluate new products for the Prudent Investment Program and adjustments to existing product offerings
- b. Approve the attached Terms of Reference for the new committee
- c. Approve the composition of the Committee described in this report.

2. SUMMARY

ONE JIB is motivated to identify and implement alternative investment products to expand the Prudent Investor offerings available to municipalities. A new Product Offerings Committee (the Committee) can help achieve this goal.

3. BACKGROUND

In light of the current low interest rate environment, there is a pressing need to identify alternative investment products that provide somewhat higher rates of return.

4. ANALYSIS

ONE Investment recommends initial members for the Committee

Establishing a committee will allow for a robust examination of specific options for new product offerings, resulting in well-researched and analyzed recommendations to ONE JIB. A Terms of Reference has been drafted for the ONE JIB's consideration. In accordance with the committee composition set out in the attached Terms of Reference, the ONE JIB recommends the following individuals to the Committee, subject to the members' consent:

- Chair Bill Hughes
- Vice Chair Geri James
- Board Member James Giles
- Board Member Jennifer Dowty
- Paul Judson, Director of Finance/Treasurer, Town of Bracebridge
- Julie Pittini, Director, Treasury Services, Region of Peel

In the event that any proposed Committee member is not able or not willing to serve, the ONE JIB Chair will appoint a suitable replacement.

5. CONCLUSION

The New Product Offerings Committee will advance the work of ONE JIB by seeking opportunities to expand the scope of ONE JIB's offerings under the prudent investor regime. A broader range of product offerings would allow the ONE JIB to tailor participating municipalities' Investment Plans more closely to their investment goals and long-term risk-adjusted return objectives. A Terms of Reference for the Committee accompanies this report.

Drafted by: Suzanna Dieleman, Manager, Investment Services (A)

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



Terms of Reference ONE Joint Investment Board New Product Offerings Committee

Scope

The New Product Offerings Committee (the Committee) shall provide recommendations on new product offerings for the Prudent Investment (PI) Program to the ONE Joint Investment Board (ONE JIB).

Purpose

The Committee shall identify, evaluate and present potential product offerings to the ONE JIB, including but not restricted to the following topics:

- Cash equivalent replacement for High Interest Savings Account (HISA), as it is not an investment security;
- Possible expansion into passive investments
- Possible expansion into lower credit quality fixed income products
- Changes to the existing Prudent Investor product offerings (such as the two Canadian fixed income funds)
- Alternative products

This will be done bearing in mind the municipal responsibility under the prudent investor regime within the *Municipal Act, 2001* to consider:

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

Composition and Operations

The Committee will consist of at least six members, including a minimum of four representatives from ONE JIB and two municipal finance professionals. One or both of the municipal finance representatives may be members of the ONE JIB, in which case the number of representatives from ONE JIB will be greater than four.

The Members of the Committee select the Chair.

ONE's Co-Presidents/CEO's are non-voting ex-officio members of the Committee and will make available meeting and analytical support.

Meetings

The Committee will meet at least four times a year, and more frequently when necessary, to complete its evaluation. The Committee operates under these Terms of Reference.

Duties and Responsibilities

The Committee has the responsibility to identify appropriate criteria for evaluating potential alternative products that may be candidates for the PI program. Further, the Committee has the responsibility for identifying and evaluating potential new products and potential changes to existing product offerings. The Committee will report its findings and recommendations to the ONE JIB in a timely fashion.

Terms of Reference Review and Self-Evaluation

On an annual basis, the Committee will review these Terms of Reference and evaluate the committee's performance against them. It will report the results of the review and self-evaluation and make appropriate recommendations to ONE JIB.



REPORT

To: ONE Joint Investment Board
From: Judy Dezell, Co-President/CEO ONE Investment
Date: December 15, 2020
Re: 2021 Futures List
Report: 20-O36

1. RECOMMENDATIONS

It is recommended that the Board:

- 1) Approve the ONE JIB Futures List report.
- 2) Direct ONE Investment staff to use the results of the Board Governance Self-Evaluation Survey to identify additional topics for 2021 meetings and make appropriate revisions to the futures list.

2. SUMMARY

- ONE Investment staff have been planning agendas for 2021 ONE JIB meetings.
- The ONE JIB Board Governance Self-Evaluation contains a question on members' priorities that will help shape ONE JIB's future agendas.

3. BACKGROUND

ONE Investment is planning for 2021

ONE Investment, as the ONE JIB's service provider, has started to think about future work in 2021 and 2022 that will require staff support. This planning will enable ONE Investment to allocate the resources necessary to have robust reports for the ONE JIB on a timely basis. It will also ensure that ONE JIB meets both its regulatory obligations and the needs of participating municipalities. For full transparency, ONE Investment is providing a high-level futures list by quarter in 2021 for the ONE JIB to consider.

4. ANALYSIS

Good planning results in good governance practices

As ONE JIB evolves and matures, there will be agenda items that recur in specific quarters every year. For example, the first quarter will include year-end compliance and reporting, the third quarter will include mid-year compliance and reporting, and the fourth quarter will include planning for the next year. ONE JIB will need to regularly review the templates for core documents such as the Investment Policy Statement, Municipal Client Questionnaires and the Investment Plan. In addition, ONE JIB will

need to review its product offerings and investment managers. The Board will also need to update Investment Plans for current participating municipalities and approve Investment Plans for new participating municipalities. Appendix A provides a high-level snapshot of current plans for 2021.

The ONE JIB Self-Evaluation Survey is also going to inform work in 2021

One of the questions in the self-evaluation survey asks ONE JIB members for their views on potential priorities for 2021 and 2022. The results of the survey and the ensuing Board discussion will supplement the future agenda items in Appendix A.

5. CONCLUSION

ONE Investment is working to provide ONE JIB with high quality information at the right time for effective decision making. Having a plan for future agendas will help ONE Investment and ONE JIB perform effectively and efficiently.

Drafted by Judy Dezell, Co-President/CEO

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

Appendix A 2021 Work Plan

Agenda Category	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Board Governance & Administrative Matters	Board Governance Self-Evaluation Results Prudent Investment Pooled Trusts Audit Financial Statements and Reporting to Ontario Securities Commission	Board Training	Prudent Investment Pooled Trusts Unaudit Financial Statements and Reporting to Ontario Securities Commission	Board Governance Self-Evaluation Board Competencies and Skills Matrix Review
Strategy and Policy	Theme: Investment Strategies New Products Committee Report	Theme: Environmental, Social and Governance (ESG) Allocation Review within Outcomes Framework New Products Committee Report Annual Compliance Report Template	Theme: Securities Lending New Products Committee Report	Theme: Municipal Template Review Outcomes Framework Review New Products Committee Report
Investment Oversight	Municipal Reports: Q4 Investment Reports Fund Manager Reports: Annual Review of Fund Managers Performance Q4 Performance Review Municipal Investor Presentations Investor Onboarding	Municipal Reports: Q1 Investment Reports Fund Manager Reports: Q1 Performance Review Secondary Benchmarks Municipal Investor Presentations Fund Manager Presentation Investor Onboarding	Municipal Reports: Q2 Investment Reports Investment Plan Reviews Yearly Compliance Report Fund Manager Reports: Q2 Performance Review Municipal Investor Presentations Fund Manager Presentation Investor Onboarding	Municipal Reports: Q3 Investment Reports Fund Manager Reports: Q3 Performance Review Municipal Investor Presentations Fund Manager Presentation Investor Onboarding



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer
Date: December 15, 2020
Re: Investment Manager Quarterly Report – Q3 2020
Report: 20-O37

1. RECOMMENDATIONS

It is recommended that the Board:

- a. Receive the report on Investment Manager Performance for the 3rd quarter of 2020

2. SUMMARY

This report summarizes the performance of each of the ONE Investment Prudent Investment funds. All Prudent Investors funds performed well in the quarter, with each of them generating positive returns in the quarter.

A short explanation of performance for each mandate is provided to understand the drivers of performance and to provide context.

3. ANALYSIS

The performance of the Canadian Fixed Income Funds was positively affected by exposure to corporate credit, but these Funds were not able to fully participate in the strength in lower credit quality bonds.

The ONE Canadian Government Bond Fund (Govt Bond Fund) and ONE Canadian Corporate Bond Fund (Corp Bond Fund) both generated returns of 0.7% in the quarter. These returns of the Govt Bond Fund outperformed its benchmark by approximately 35 bps in the quarter while the One Canadian Corp Bond Fund's performance was in line with its performance benchmark.

The performance of the Canadian fixed income mandates, the Govt Bond Fund and the Corp Bond Fund reflect the very high credit quality of the funds. Both funds have significant exposure to corporate credit but exclude BBB credit quality bonds. Figure 1 below details the credit exposure of the two Canadian fixed income funds.

Figure 1

Govt Bond Portfolio		Corp Bond Portfolio	
Credit Rating	Allocation	Credit Rating	Allocation
AAA	25.9%	AAA	13.3%
AA	40.6%	AA	40.3%
A	28.3%	A	43.1%
Average Quality	AA	Average Quality	AA-
Corporate Credit	41.6%	Corporate Credit	71.4%

Over 70% of the Corp Bond Fund is invested in corporate credit and over 40% of the Govt Bond Fund is similarly invested in corporate credit. These allocations to corporate credit are high relative to their respective benchmarks. Corporate credit generally performed well in the quarter, outperforming government debt securities. Lower credit quality bonds tended to benefit more from this trend. However, the Investment Management Agreements for these two funds do not allow them to own sub-investment grade bonds (credit ratings below BBB-) and, even within investment grade bonds, they are not allowed to include BBB bonds in the portfolio. These constraints on the investment manager may be relaxed at a later date, following a review of these mandates by the ONE JIB.

Interest rates movements did not have a significant impact on performance in the quarter.

Global bond holdings performed well in the quarter, benefitting from tightening credit spreads

The performance of the global fixed income offering was adversely affected by the timing of the transition to prudent investing. Because funds were transitioned into the underlying Manulife pooled fund on July 6, 2020, the investments were not deployed for the full quarter. The gross performance of the Global Bond Fund was 1.8% for the period after transition, whereas the underlying Manulife pooled fund returned 2.6% for the full third quarter period. There were notable movements in the financial markets in the first few days of July which the Fund was not able to capture, which is a reflection of the elevated volatility in financial markets in recent past.

The Global Bond Fund has significant exposure to corporate bonds, including high yield bonds, which helped performance in the quarter. As investor confidence continued to improve in the second quarter, investors' demand for credit exposure increased, which tended to push up the prices of corporate bonds more than government bonds. This theme, known as 'compression of credit spreads', led to stronger performance by bonds with lower credit quality. The Global Bond Fund not only has exposure to BBB-rated bonds, but the Fund also has almost 30% allocation to high yield bonds. Both of these exposures benefitted from the compression of credit spreads in the quarter, contributing to overall performance.

The manager of the Global Bond Fund has a guarded outlook, noting that market volatility may remain high as the continuing impact of COVID-19 may weigh on economic growth. This has influenced portfolio positioning, as noted in their quarterly investment report:

We believe the more speculative tiers of the high-yield bond market remain vulnerable to an extended economic slowdown in the short term. We are being selective in emerging markets exposure and remain cautious on the further spread of COVID-19 in countries that lack infrastructure and the ability to treat a widespread viral outbreak.

The credit quality of the Fund remains investment grade with an average rating of BBB+. The maturity profile of the fund implies significantly less interest rate sensitivity than the broader bond market (duration of 3.7 years vs global bond benchmarks with duration in the range of 7 years)

While Global Equity markets performed well in the quarter, the timing of performance prevented the Global Equity Fund to fully participate in the upside

While global equity markets rallied about 6% in the quarter, the Global Equity Fund generated returns of 3.4%. As funds were transitioned into the underlying Mawer pooled fund on July 6, 2020, the Global Equity Fund did not participate in a full quarter, which led to a performance differential. The sharp move in equity markets over this period is a reflection of the elevated market volatility experience early this year.

The rebound in global equity markets that started in the second quarter continued into the third quarter, but at a less frenzied pace. The recovery was uneven in the third quarter, with certain parts of the market such as the industrial, consumer discretionary and technology sectors generating strong returns while the energy sector performed poorly. The Fund's significant overweight exposure to the industrial sector and zero exposure to the energy sector was highly favorable positioning that contributed to the performance of the Fund. Security selection within the industrial sector also had a meaningful contribution to performance, while light exposure to the consumer discretionary sector and stock selection within that sector were factors that detracted from relative performance.

The manager's outlook is positive but cautious, as they note that the recovery in equity prices is driven by fiscal and economic stimulus, rather than improving fundamentals or earnings. They note that valuations seem to be less concerning for market participants of late and that virtual business models that demonstrate high growth have garnered much attention. These types of companies may not seem like obvious candidates for Mawer's investment approach, which focuses on reasonable valuation and discount to intrinsic value. However, they are increasingly scrutinizing companies that fit this profile. They already hold positions in Microsoft and Alphabet supported by discounted cashflow analysis, rather than justification of price earnings multiples.

The Canadian Equity Fund performed well in the quarter

The Canadian Equity Fund generated returns of 5.4% in the quarter, performing better than the broad Canadian equity markets. The Fund was seeded primarily with securities that liquidated from Legal List Investment portfolios of the Founding Municipalities. This allowed the transition into the Canadian Equity Fund to happen seamlessly on July 2, 2020 but the performance of the Fund did not capture the full quarter due to the late transition.

The sector positioning for the Fund shared some similarities with the Global Equity Fund, as it was positioned with a significant overweight exposure to the industrial sector and significant underweight exposure to the energy sector. This positioning had a meaningful contribution to

performance as these two sectors were the best performing and worst performing sectors, respectively, of the Canadian equity markets. The Fund's low exposure to materials and energy reflects the risk mitigation embedded in its investment approach. The manager explicitly limits exposure to commodity-driven companies, which tend to have more volatile earnings and share prices. By limiting exposure to the materials and energy sector, the manager can deploy funds into the equities of other industries where earnings are more stable, and outcomes are more reflective of management choices rather than commodity price swings. The fund's underweight exposure to the materials sector meant that it was not able to benefit fully from the strong returns in that sector.

The Prudent Investment Canadian Equity Fund is positioned in a very similar way to the ONE Equity Portfolio available under the Legal List, with the exception of two holdings. The ONE Canadian Equity Fund holds small positions in BCE and "CAP REIT".

Performance has been certified by the investment managers

As part of the ongoing documentation process, each investment manager has provided a written confirmation that the mandates were managed within the investment guidelines detailed in their Investment Management Agreements. The Chief Investment Officer has certified to each Participating Municipality that their money not required immediately invested with ONE JIB has been invested *"in accordance with the terms of the ONE JIB Agreement, and in a manner consistent with the Investment Policy Statement and the Investment Plan of the Participating Municipality."*

4. CONCLUSION

All of the ONE Investment Prudent Investors funds generated positive returns in the quarter. The Chief Investment Officer has reviewed the performance and has not identified performance issues that require further investigation.

This report summarizes the key drivers of performance of the Prudent Investor funds in the 3rd quarter. The ONE JIB should receive the report regarding the performance of investment managers in the 3rd quarter and as appropriate, further discuss the performance.

Drafted by: Keith Taylor, Chief Investment Officer.

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



REPORT

To: ONE Joint Investment Board
From: Evelyn Foo, Chief Compliance Officer
Date: December 15, 2020
Re: Prudent Investment Program Funds Distribution Policy - Updated
Report: 20-O38

1. RECOMMENDATIONS

It is recommended that the Board approve:

- a. The current distribution practices, as detailed in this report.
- b. The formal distribution policy, attached as Appendix A.

2. SUMMARY

ONE Investment has distribution practices in place for its Prudent Investment (PI) Funds that require ONE Joint Investment Board (ONE JIB) approval. The Founding Municipalities have been consulted and have confirmed their support for quarterly distributions of interest income on the fixed income mandates and annual distribution of dividend income on the equity mandates. Furthermore, annual distributions will occur for net realized gains for all mandates.

3. BACKGROUND

ONE Investment consulted Founding Municipalities in developing the distribution policy

At its meeting on September 29, 2020, the ONE Investment Audit Committee identified three principles to consider in establishing a distribution policy:

- All products should distribute income.
- Distribution policies should be standardized across all funds and portfolios.
- Customer perspectives and impacts should be ascertained before any modifications to the frequency and consistency of distributions.

A review of current distribution practices has been discussed with the ONE's Chief Compliance Officer, Chief Investment Officer and the Founding Municipalities (FM). PS3450 requirements have been reviewed with ONE's auditor.

The Distribution Policy, attached in Appendix A, the Prudent Investment products. The ONE JIB is responsible for the approval of the policy.

4. ANALYSIS

Interest income is currently distributed and reinvested quarterly, while dividends and realized net gains are distributed and reinvested annually.

The current state of distributions for the Prudent Investment Offering is as follows:

Prudent Investment – Three fixed income funds – Two Canadian Bond funds and One Global Bond fund.

The Canadian Bond funds distribute and reinvest interest income by unit on a quarterly basis, as it is accrued, net of management fees. Any realized gains, net of realized losses and management fees, are distributed annually and reinvested.

The Global Bond fund distributes and reinvests income received from the underlying fund net of management fees on a quarterly basis. Any realized gains or losses are distributed net of management fees on an annual basis and reinvested.

Prudent Investment – Two equity funds – Canadian Equity and Global Equity

The Canadian equity fund distributes dividends net of management fees annually. Realized gains and losses net of management fees are distributed annually. Both are reinvested.

The Global Equity fund distributes income and net realized gains and losses received from the underlying fund net of management fees annually. Both are reinvested.

The Founding Municipalities have confirmed that the current distribution practice is appropriate for their needs.

The Founding Municipalities (FM) are satisfied with the current approach to the distribution of income and gains. While they are investing for the long-term, the FM have requested quarterly information, as outlined above and including current market valuation, for Council reporting purposes.

5. CONCLUSION

ONE JIB has the authority to adopt the PI Distribution Policy, which was developed through a consultative process to meet the needs of the FM and ONE's external auditors.

Drafted by: Evelyn Foo, Chief Compliance Officer

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

ONE Investment Policy Statement			
Policy:	Prudent Investment - Income Distribution Policy	Date approved:	XXX, 2020

Purpose statement

The purpose of this policy is to establish the policy for the distribution of realized investment revenues for the Prudent Investment programs' financial instruments to the investors.

Scope

This policy apply to ONE Investment staff, officers, ONE Joint Investment Board, and other boards and committees whose duties involve fund distributions, developing new financial products, and designing reporting tools and templates on behalf of ONE Investment Prudent Investment Offerings, but excludes ONE Savings Accounts (i.e., the High Interest Savings Account).

Definitions

- **Distribution** means the allocation of income and/or realized gains net of realized losses from the fund or portfolio level and the reinvestment of those monies at the individual investor level.
- **Income** means interest or dividend income.
- **Realized Gains net of Realized Losses** means any gain or loss arising from the sale or maturation of an investment product, where the realized value is more or less than the original outlay to purchase the product.
- **Unrealized gains and losses** means changes in the market value of a product from the original outlay but where the product has not yet been sold or matured. Unrealized gains and losses are reflected solely in the market value per unit and do not form part of the annual distribution.
- **Valuation** means the book value or the market value (net asset value). The total investment value is calculated by multiplying the per unit value by the number of units held or owned. The NAV (Net Asset Value per unit) is affected by income accrued or received, gains or losses whether realized or not, management fees accrued, and market pressures. A distribution will decrease the value of the NAV but increase the number of units held or owned. Valuation information is provided on the investor statements on a per unit value at both the book or cost value as well as the market or fair value (NAV).

Policy

The distribution of income, realized gains and losses, and associated fees shall respect the following principles:

- All products should distribute income.
- Distribution policies should be standardized across all funds and portfolios.
- The customer perspective and impacts should be ascertained before any modifications to frequency and consistency of distributions.

Realized gains and losses are distributed annually to balance losses against gains within each fiscal year to avoid the potential of realized gains being distributed early in the year and then late year realized losses reducing the overall portfolio or fund balance. The distribution occurs at the end of the fiscal year to avoid income taxes accruing to the funds. Gains and losses may include discounts and premiums as well as market changes.

Prior to distribution, income and realized gains and losses are reflected in the market or per unit value (NAV). The price per unit increases as income or gains net of losses are accrued, decreases as management fees are accrued, and decreases when new units are purchased with the income distribution. The total investment value immediately prior to distribution is equal to the total investment value immediately following distribution, assuming no deposits or withdrawals occur at the same time.

1. FIXED INCOME

Prudent Investment Offering – Three fixed income funds – Two Canadian Bond funds and One Global Bond fund.

The Canadian Bond funds distribute and reinvest interest income by unit on a quarterly basis, as it is accrued, net of management fees. Any realized gains and losses, net of management fees, are distributed annually and reinvested.

The Global Bond fund distributes and reinvests income received from the underlying fund net of management fees on a quarterly basis. Any realized gains and losses, net of management fees, are distributed annually and reinvested.

2. EQUITY

Prudent Investment Offering – Two equity funds – Canadian Equity and Global Equity

The Canadian Equity fund distributes dividends net of management fees annually. Realized gains and losses net of management fees are distributed annually. Both are reinvested.

The Global Equity fund distributes income and net realized gains and losses received from the underlying fund net of management fees annually. Both are reinvested.

3. REPORTING

Quarterly Reports

Detailed reports for each client will be prepared and issued quarterly, for information purposes, within 45 days of the end of the quarter. These reports will include all transactions and income distributed net of fees for the quarter.

Annual Reports

Detailed reports for each client will be prepared and issued annually, within 60 days of the calendar year end. These reports will include all transactions and income distributed net of fees for the fourth quarter. In addition, details will be provided on the distribution of realized gains and losses, net of fees, at the end of the fourth quarter, under separate cover.

Sufficient information will be provided to ensure that clients will be able to record all required changes and transactions in their records of account, meet all reporting and measurement requirements under PS 3450, and disclose the appropriate information on their annual financial statements and the Financial Information Return, including fair value and disclosure related to the various categories of risk.

This policy shall be reviewed at least once every three years and updated as new products are developed, new competitors enter the marketplace or regulatory changes occur.



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer
Date: December 15, 2020
Re: Overview of Canadian Equity Mandate and Manager
Report: 20-039

1. RECOMMENDATIONS

It is recommended that the Board:

- 1) Receive the report entitled Overview of Canadian Equity Mandate and Manager for information.

2. SUMMARY

Since 2007, Guardian Capital has partnered with ONE Investment in providing Ontario municipalities with the ability to invest in Canadian equities in a way that is compliant with the *Municipal Act*. This has been the only method by which Ontario municipalities can invest in equities. The Canadian Equity Fund used in the ONE Prudent Investor offering is largely based on the existing Legal List equity portfolio. By design, the fund provides exposure to Canadian equities under a 'targeted risk' approach that is designed to reduce volatility. The manager, Guardian Capital, will make a presentation to the ONE JIB describing the basic features of the fund and providing details on current positioning, performance and outlook.

3. BACKGROUND

The ONE Canadian Equity Fund is a core holding within the ONE JIB Outcome Framework

The ONE Canadian Equity Fund invests in shares of Canadian companies. By owning an equity stake in these listed companies, the Fund benefits from the growth and income generated by the shares held. The Fund, managed by Guardian Capital, is an important building block for the ONE JIB Outcome Framework. It offers the potential for significant growth yet has low correlation with the fixed income funds in the Outcome Framework. The Fund is used to build asset mixes in the Outcome Framework that are diversified, thereby offering the potential to generate reasonable risk-adjusted returns over time.

Guardian Capital has direct experience managing equity investments for Ontario municipalities

The manager is familiar with the needs of the municipal investors, having managed the Legal List portfolio since 2007. Guardian has experience working with Ontario municipalities and has a good understanding of the key concerns and needs of the sector. Their lower risk approach and attention to Environmental, Social and Governance issues are examples of how their approach is appropriate for the municipal sector.

The manager focuses on quality companies and uses fundamental analysis to select Investments

Guardian Capital does detailed analysis of every prospective holding and looks at the fundamentals of each holding, paying attention to the business metrics and outlook. The manager's quality-focused approach focuses on companies with sustainable business models that tend to be more stable and have growth potential. Close attention is paid to the valuation of investments to ensure that the prices of securities held are justified by their earnings prospects. The approach also minimizes exposure to commodity-related firms and avoids more speculative investments.

4. CONCLUSION

ONE Investment has had a long relationship with Guardian Capital through the Legal List. Guardian understands municipalities, this is an opportunity for ONE JIB to learn more about the mandate, performance and positioning in the presentation by Guardian Capital.

Drafted by: Keith Taylor, Chief Investment Officer

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



MEMO

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer
Suzanna Dieleman, Manager, Investment Services (A)
Date: December 15, 2020
Re: Year End Reconciliation
Report: 20-O4O

As the ONE JIB is aware, the Founding Municipalities completed their Municipal Client Questionnaire, Investment Policy Statement and Investment Plan in Q2 of 2020, with sign off and approval by all parties. From an investor perspective, this can be a complicated process as reserves and reserve funds, investments and bank accounts are allocated to outcomes. Kenora was particularly complex with a request to establish two Prudent Investment accounts - the Citizens' Prosperity Trust Fund (CPTF) and the General Account.

Municipal interim audits are completed each year in October or November to ease the year end audit work conducted early in the new year. During an interim reconciliation process and following the issuance of the Q3 investment reports, Kenora determined that there had been an error in the designation of investments between CPTF and the General Account in the amount of \$1,440,346.90. The Treasurer for Kenora has indicated that this amount may need to be transferred from the High Interest Savings Account (HISA) for the CPTF to an outcome for the General Account. Currently, the Chief Investment Officer (CIO) and Kenora's Treasurer are working through the details, so no rebalancing recommendation can occur until the exact calculations are known.

Another investor, Huntsville, has identified during their interim reconciliations that their cemetery trust funds had been moved incorrectly into their Prudent Investor outcomes. Huntsville has requested approximately \$600,000 be redeemed into a Legal List investment portfolio. The CIO and Huntsville's Treasurer are currently discussing Legal List investment options.

Rebalancing may be required for both investors once specific determinations are made and direction is received. A rebalancing plan will be devised by the CIO and a report will be brought to the ONE JIB at its next meeting for approval.

Due to the approaching municipal year end, it is important that ONE JIB is aware of the issue, but timing does not allow for a policy to be written, reviewed and approved by ONE JIB. Since this is the first year of operations for ONE JIB, it is recommended:

- The CIO be directed to move the money between outcomes as required by investors;
- The CIO bring back to ONE JIB, at its next meeting, a full report on affected investors' outcomes and rebalancing for ONE JIB approval; and,
- ONE staff bring back to ONE JIB, at its next meeting, a policy on investment delegated authority.

Drafted by: Suzanna Dieleman, Manager, Investment Services (A)

Keith Taylor, Chief Investment Officer

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