

# QUARTERLY INVESTMENT REPORT

For The Period Ended June 30, 2021

## **Kenora General Account - Prudent Investor Portfolio**

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## **Relationship Manager**

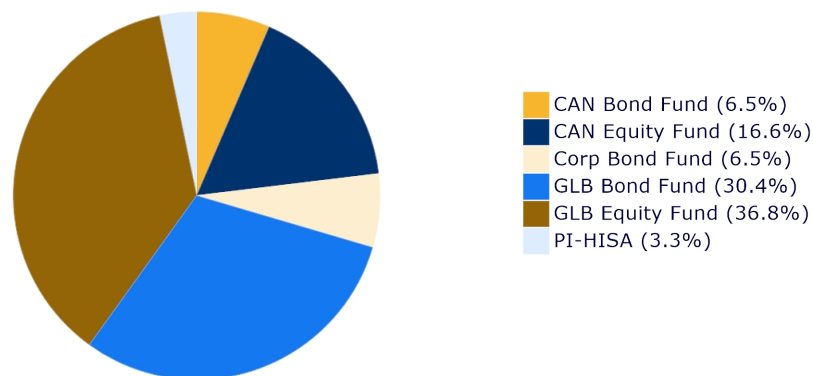
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## Kenora General Account - Prudent Investor Portfolio

### Executive Summary for the Quarter Ended June 30, 2021

	Time-Weighted Rate of Return in CAD for Consolidated Holdings						Since Inception	Inception Date
	Quarter	Year to date	1 Year	2 Years	3 Years	5 Years		
Consolidated Portfolio Returns	3.7%	5.4%	-	-	-	-	12.5%	07/02/2020

### Overall Asset Allocation



### Consolidated Portfolio Activity for Quarter

Portfolio	Starting Balance	Contribution	Withdrawals	Change in Market Value	Income	Ending Balance
CAN Bond Fund	1,124,291.33	75,000.00	-	(6,414.49)	5,729.35	1,198,606.19
CAN Equity Fund	3,232,980.54	-	320,000.00	168,273.79	-	3,081,254.33
Corp Bond Fund	1,099,253.62	86,701.12	-	3,974.87	6,008.77	1,195,938.38
GLB Bond Fund	5,413,697.12	160,000.00	-	18,478.57	44,230.38	5,636,406.07
GLB Equity Fund	6,393,852.00	-	-	427,498.05	-	6,821,350.05
PI-HISA	605,436.70	-	-	-	251.83	605,688.53
<b>Total</b>	<b>17,869,511.31</b>	<b>321,701.12</b>	<b>320,000.00</b>	<b>611,810.79</b>	<b>56,220.33</b>	<b>18,539,243.55</b>

**Kenora General Account - Prudent Investor Portfolio**  
**Performance History At**  
**June 30, 2021**

**Performance by Fund**

	% Annualized Returns							Since Inception	Inception Date
	Quarter	Year to Date	1 Year	2 Years	3 Years	4 Years	5 Years		
One High Interest Savings Account	0.0	0.1	-	-	-	-	-	0.5	07/02/2020
ONE Canadian Equity Fund	5.5	15.7	-	-	-	-	-	35.7	07/02/2020
ONE Global Equity Fund	6.6	8.9	-	-	-	-	-	16.3	07/02/2020
ONE Canadian Corporate Bond Fund	0.8	-2.6	-	-	-	-	-	-1.3	07/02/2020
ONE Canadian Government Bond Fund	-0.1	-1.0	-	-	-	-	-	0.1	07/02/2020
ONE Global Bond Fund	1.1	-0.3	-	-	-	-	-	4.5	07/02/2020

**Performance by Outcome**

	% Annualized Returns							Since Inception	Inception Date
	Quarter	Year to Date	1 Year	2 Years	3 Years	4 Years	5 Years		
Contingency Outcome	4.2	6.4	-	-	-	-	-	14.4	07/02/2020
Target Date 3-5 Year Outcome	1.3	0.7	-	-	-	-	-	4.4	07/02/2020

## **QUARTERLY REVIEW**

The outlook for the Canadian economy continued to improve in the quarter despite more developments related to the pandemic. A third wave of the Covid-19 emerged in the quarter that led to lockdowns that negatively impacted Canadian economic activity, but despite this the outlook improved as the pace of vaccinations accelerated. Equity markets continued to perform well amidst this backdrop as the prospects for profitability continue to improve. The US Federal Reserve and the Bank of Canada continued to leave interest rates unchanged, but the Bank of Canada indicated its intention to begin tapering its asset purchase program. Supply-side bottlenecks and rising input costs have created friction in pockets of the economy, forcing companies to adjust supply chains and raise selling prices. Central banks see inflation as transitory despite the recent price jumps, though they have been willing to peel back monetary policy support as the recovery has progressed.

Due to Canada's sizeable exposure to the strengthening commodity and financial industries, Canadian equities again outperformed the less cyclically exposed U.S. and global equity markets for a second quarter in a row. The Canadian Equity Fund had returns of 5.5% in the quarter, lagging benchmark returns somewhat. While holdings in the technology sector had a strong performance, the Fund had an underweight exposure to Shopify, which appreciated 30% in the quarter. An overweight exposure to the Health Care sector also worked against the Fund's relative performance as this sector was down over 11% in the quarter. The Fund's only holding in this sector was Bausch Health which was down almost 9% in the quarter, giving back some of the substantial gains achieved in previous quarters.

Crude oil's momentum continued with WTI prices rising 24% to end the quarter at \$73/barrel. The investment manager tends to have lower exposure to resource stocks in the Fund and emphasizes on businesses where management has more control over prospects. It helps reduce the volatility in return that is a result of swings in commodity prices.

## **QUARTERLY REVIEW**

The positive performance of global equities continued into the second quarter of 2021 as economic growth expectations picked up, though the recovery was uneven as some regions faced slower rollout of Covid-19 vaccine and others were bogged down with lockdowns related to the spread of new variants. The financial markets moved higher in the quarter with investor optimism pushing many major equity indices to new highs in the quarter.

Inflation continues to be a prominent concern as production bottlenecks have led to sharply higher prices for certain goods. While many inflation indicators have risen in the near term, there is considerable debate about the longer-term trend of inflation. Interest rates have responded with increased volatility while market players debate this key point.

The rally in global equity markets was broad based with almost all sectors generating positive returns in the quarter, with the exception of the utilities sector. The information technology sector was the best performing sector in the quarter with Microsoft and Alphabet Inc. (Google) making strong gains. These two companies are amongst the largest holdings in the Global Equity Fund, collectively represent almost 8% of the fund. Hence, their strong performance made a meaningful contribution to performance in the quarter.

Fund returns in the quarter were strong, up 6.6% in, which exceeded the performance of its benchmark. While some of the sector allocations helped achieve these results, especially the heavy exposure to the Industrials sector, the outperformance was primarily a result of the manager's security selection. This was primarily a reflection of the manager's focus on high quality businesses, which the market tended to reward in the quarter.

## **QUARTERLY REVIEW**

The global recovery continued into the second quarter as economic growth expectations picked up in parts of the world. As new Covid variants continued to emerge, new lockdown restrictions were imposed in certain countries. Despite this, the roll out of Covid vaccinations gave hope that the crisis will abate and the market condition would return to normal soon. This provided a positive backdrop for the financial markets.

Interest rates have been somewhat volatile in 2021 as the market digests the economic recovery and anticipates a central bank response. Speculation about the pace at which central banks will raise their policy rates in the future has led to gyrations in the bond markets, with rates rising in the first quarter, only to be partially offset by lower rates in the second quarter. While inflation has increased notably due to supply chain bottlenecks, many consider the higher inflation to be transitory and central banks have been reluctant to suggest interest rates need to rise in response (yet).

With interest rates dropping in most countries worldwide in the quarter, bond funds had a positive performance. The Global Bond Fund and the Canadian Government Bond Fund have relatively short 'duration', meaning they are less sensitive to changes in interest rates. They benefitted less from a decline in interest rate than the Canadian Corporate Bond Fund, which has a longer 'duration'.

Credit spreads tightened further in the quarter which helped the Global Bond Fund's performance, which has meaningful exposure to higher yielding bonds. The credit spreads have now moved below historical averages, meaning that valuations of corporate credit and high yield bonds have already fully recovered from the peak of the pandemic. The Global Bond Fund remains 83% hedged to the Canadian dollar, insulating performance from most foreign currencies' movement. This had a meaningful positive impact on performance as the USD weakened vs. the Canadian dollar during the quarter.

**Kenora General Account - Prudent Investor Portfolio**  
**Consolidated Portfolio Holdings in CAD**  
**As of June 30, 2021**

Security	Quantity	Unit Cost	Book Value	Price	Market Value	% Weight
PI-HISA	605,688.530	1.00	605,688.53	1.00	605,688.53	3.27%
CAN Equity Fund	2,320.320	1,003.14	2,327,626.15	1,327.94	3,081,254.33	16.62%
GLB Equity Fund	6,079.756	1,001.06	6,086,254.91	1,121.97	6,821,350.05	36.79%
Corp Bond Fund	1,235.748	997.49	1,232,650.53	967.78	1,195,938.38	6.45%
CAN Bond Fund	1,220.172	999.18	1,219,181.05	982.32	1,198,606.19	6.47%
GLB Bond Fund	5,624.091	1,000.58	5,627,356.45	1,002.18	5,636,406.07	30.40%
					<b>18,539,243.55</b>	<b>100.00%</b>

**Kenora General Account - Prudent Investor Portfolio**  
**Holdings by Account**  
**At June 30, 2021**

**Account Name: Kenora - Contingency Outcome**  
**Account Number: 570050161**

**For the Quarter Ending**  
**June 30, 2021**

Holdings	Quantity	Unit Cost	Book Value	Price	Market Value	Weight	Market Value Gain (Loss)	Income Received
Corp Bond Fund	912.83	996.78	909,899.08	967.78	883,427.05	5.7%	2,811.66	4,438.61
CAN Equity Fund	2,228.47	1,003.14	2,235,486.34	1,327.94	2,959,282.70	19.2%	161,909.46	0.00
CAN Bond Fund	899.56	998.94	898,612.72	982.32	883,662.78	5.7%	(4,757.45)	4,223.92
GLB Bond Fund	4,092.85	1,000.62	4,095,426.78	1,002.18	4,101,817.12	26.6%	13,177.12	32,188.05
GLB Equity Fund	5,862.35	1,001.06	5,868,617.85	1,121.97	6,577,426.51	42.6%	412,211.22	0.00
			14,008,042.77		15,405,616.16	100.0%	585,352.01	40,850.58

**Kenora General Account - Prudent Investor Portfolio**  
**Performance History**  
**At June 30, 2021**

**% Annualized Returns**

	Quarter	Year to Date	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception	Inception Date
Return Net of Fees	4.2	6.4	-	-	-	-	-	14.4	07/02/2020

**% Calendar Year Returns**

	2020	2019	2018	2017	2016
Return Net of Fees	-	-	-	-	-



**Kenora General Account - Prudent Investor Portfolio**  
**Holdings by Account**  
**At June 30, 2021**

**Account Name: Kenora - Target Date 3 to 5 Year Outcome**  
**Account Number: 570050187**

**For the Quarter Ending**  
**June 30, 2021**

Holdings	Quantity	Unit Cost	Book Value	Price	Market Value	Weight	Market Value Gain (Loss)	Income Received
PI-HISA	605,688.53	1.00	605,688.53	1.00	605,688.53	19.3%	0.00	251.83
Corp Bond Fund	322.91	999.49	322,751.45	967.78	312,511.33	9.9%	1,163.02	1,570.16
CAN Equity Fund	91.85	1,003.15	92,139.81	1,327.94	121,971.63	3.8%	6,364.96	0.00
CAN Bond Fund	320.61	999.87	320,568.33	982.32	314,943.41	10.0%	(1,657.16)	1,505.43
GLB Bond Fund	1,531.23	1,000.45	1,531,929.67	1,002.18	1,534,588.95	48.9%	5,301.30	12,042.33
GLB Equity Fund	217.40	1,001.06	217,637.06	1,121.97	243,923.54	7.7%	15,286.83	0.00
			<u>3,090,714.85</u>		<u>3,133,627.39</u>	<u>100.0%</u>	<u>26,458.95</u>	<u>15,369.75</u>

**Kenora General Account - Prudent Investor Portfolio**  
**Performance History**  
**At June 30, 2021**

**% Annualized Returns**

	Quarter	Year to Date	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception	Inception Date
Return Net of Fees	1.3	0.7	-	-	-	-	-	4.4	07/02/2020

**% Calendar Year Returns**

	2020	2019	2018	2017	2016
Return Net of Fees	-	-	-	-	-

**Kenora General Account - Prudent Investor Portfolio**  
**Transaction Summary for the Quarter Ended June 30, 2021**

**TRANSACTION SUMMARY**

**Account Name: Kenora - Contingency Outcome**  
**Account Number: 570050161**

TRANSACTION TYPE	SECURITY	TRADE DATE	SETTLEMENT DATE	QUANTITY	TRADE AMOUNT (CAD)
Buy	CAN Bond Fund	04/15/2021	04/15/2021	75.84	75,000.00
Buy	Corp Bond Fund	04/15/2021	04/15/2021	87.66	85,000.00
Buy	GLB Bond Fund	04/15/2021	04/15/2021	159.21	160,000.00
Reinvested Distributions	CAN Bond Fund	06/30/2021	06/30/2021	4.30	4,223.92
Reinvested Distributions	Corp Bond Fund	06/30/2021	06/30/2021	4.58	4,438.61
Reinvested Distributions	GLB Bond Fund	06/30/2021	06/30/2021	32.11	32,188.05
Sell	CAN Equity Fund	04/15/2021	04/15/2021	248.29	320,000.00

**Kenora General Account - Prudent Investor Portfolio**  
**Transaction Summary for the Quarter Ended June 30, 2021**

**TRANSACTION SUMMARY**

**Account Name: Kenora - Target Date 3 to 5 Year Outcome**

**Account Number: 570050187**

TRANSACTION TYPE	SECURITY	TRADE DATE	SETTLEMENT DATE	QUANTITY	TRADE AMOUNT (CAD)
Buy	Corp Bond Fund	05/20/2021	05/20/2021	1.76	1,701.12
Reinvested Distributions	CAN Bond Fund	06/30/2021	06/30/2021	1.53	1,505.43
Reinvested Distributions	Corp Bond Fund	06/30/2021	06/30/2021	1.62	1,570.16
Reinvested Distributions	GLB Bond Fund	06/30/2021	06/30/2021	12.01	12,042.33
Reinvested Interest	PI-HISA	04/06/2021	04/06/2021	84.84	84.84
Reinvested Interest	PI-HISA	05/05/2021	05/05/2021	82.12	82.12
Reinvested Interest	PI-HISA	06/03/2021	06/03/2021	84.87	84.87

**Kenora General Account - Prudent Investor Portfolio**  
**COMPLIANCE CERTIFICATE**  
**June 30, 2021**

In accordance with the terms of section 8.02 of the ONEJIB Agreement dated as of July 2, 2020 (the "ONE JIB Agreement") ONE Investment confirms as follows:

With respect to the quarter ended June 30, 2021 to the best of the knowledge and belief of ONE Investment, all assets of the Participating Municipality under the management and control of ONE JIB pursuant to the ONE JIB Agreement have been invested and are held in accordance with the terms of the ONE JIB Agreement, and in a manner consistent with the IPS and the Investment Plan of the Participating Municipality.

A handwritten signature in black ink that reads "Keith Taylor".

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Keith Taylor, Chief Investment Officer, ONE Investment  
On the behalf of the ONE Joint Investment Board

## *APPENDIX*

## ONE JIB - Outcome Framework - Target Allocations

Outcome							<u>Allocation</u>			
	HISA	Canadian Equity Fund	Global Equity Fund	Canadian Government Bond Fund	Canadian Corporate Bond Fund	Global Bond Fund	Equity	Fixed Income	Cash	Total
Cash	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%			100.0%	100%
Stable Return	10.0%	9.0%	21.0%	9.0%	9.0%	42.0%	30.0%	60.0%	10.0%	100%
Contingency	0.0%	18.0%	42.0%	6.0%	6.0%	28.0%	60.0%	40.0%		100%
Asset Management	0.0%	27.0%	63.0%	1.5%	1.5%	7.0%	90.0%	10.0%		100%
Target Date 3-5	20.0%	3.0%	7.0%	10.5%	10.5%	49.0%	10.0%	70.0%	20.0%	100%
Target Date 5-10	0.0%	15.0%	35.0%	7.5%	7.5%	35.0%	50.0%	50.0%		100%
Target Date 10+	0.0%	22.5%	52.5%	3.75%	3.75%	17.5%	75.0%	25.0%		100%

## ONE JIB - Outcome Framework - Defined

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

## Glossary and Definitions for Quarterly Reports

### Account

ONE Investment clients have one or more custodial accounts. All Prudent Investor Funds will be administered with ONE Investment's custodian, CIBC Mellon. Unlike Legal List accounts, MNRI invested in the ONE Investment Prudent Investor Funds will be under the control of the ONE Joint Investment Board. In most cases, the Prudent Investor clients will have multiple accounts with the custodian, with the account structure based on the investment outcomes assigned to each client. This will allow reporting to the municipal client based on the investment outcome framework.

**Annual and Annualized Returns:** please see Returns below.

### Asset Allocation

Asset allocation is the single biggest driver of fund returns and should be set taking into account municipal risk tolerance. Also known as asset mix, it is the combination of asset classes in a fund and is normally shown as the percentage weights in each. Example asset classes are money market, Canadian bonds, global bonds, Canadian stocks and global stocks. Each of the ONE JIB Outcomes has an associated asset allocation that is designed to be appropriate for the intended investment Outcome.

**Asset Mix:** See Asset allocation.

### Benchmark

The Benchmark is the standard against which investors compare their portfolio returns to understand its performance. Benchmark can be set either at the asset class level or for the overall portfolio. At the asset class level, benchmarks are usually chosen to represent the entire market; active managers seek to outperform their benchmarks by at least the amount of fees they charge.

For example, a typical benchmark for Canadian stocks is the S&P/TSX Composite Index which is calculated by Standard and Poor's (S&P) and for Canadian money market, the typical benchmark is the FTSE 182-Day Treasury Bill Index from the Financial Times Stock Exchange Group (FTSE). For a portfolio that aims to have risk halfway between these two asset classes, the total portfolio benchmark might be 50% S&P/TSX Composite Index and 50% FTSE 182-Day Treasury Bill Index.

Benchmark returns are always time weighted. (See Returns below for more detail on time weighted returns)

### Blended Benchmark

A blended benchmark is a benchmark that is constructed from two or more underlying benchmarks. The weights of each underlying benchmark used in a blended benchmark remain constant over time.



### **Canadian Corporate Bond Fund**

The ONE Investment Canadian Corporate Bond Fund holds short and mid-term Canadian bonds managed by MFS. Based on the benchmark duration at June 30, 2020, the permitted duration range for the Fund is 4.5 to 7.51 years. MFS aims to outperform the benchmark, which is:

- 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 Treasury Bill Index.

### **Canadian Equity Fund**

The ONE Canadian Equity Fund holds Canadian stocks managed by Guardian Capital. Guardian aims for below-market risk, achieved with a ONE-imposed constraint on the weight of Material and Energy sectors because of the expected above-market volatility of these sectors.

### **Canadian Government Bond Fund**

This ONE Government Canadian Bond Fund holds short-term Canadian bonds managed by MFS. Based on the benchmark duration at June 30, 2020, the permitted duration range for the Bond Fund is 1.73 to 3.73 years. MFS aims to outperform the benchmark, which is:

- 95% FTSE Canada Short-Term Government Bond Index +
- 5% FTSE Canada 91-Day Treasury Bill Index.

### **Book Value**

Book value is the Unit Cost of each holding multiplied by the number of units. It represents the amount originally paid to invest in the holding and takes into account all contributions and withdrawals.

### **CAD**

This is a short form for “Canadian dollars”. Although the outcomes have exposure to foreign securities, all returns in the report reflect Canadian dollar-based returns. Foreign holdings will be impacted by movements in foreign currencies which may impact investment returns. This impact can be reduced by currency hedging strategies. The global equity exposure does not hedge currency exposure, but the global bond exposure may use hedging. The degree to which global bond exposure is hedged back to the Canadian dollar may vary and will reflect the currency hedging strategy of the external manager.

### **Consolidated Holdings**

Consolidated holdings are the aggregate value of all investments with ONE Investment. Consolidated holdings detailed in this report only reflect MNRI balances invested in ONE Investment's Prudent Investor Funds and HISA balances under the control of the ONE JIB. In certain cases, clients may hold ONE Investment Legal List portfolios or HISA which will not be reflected in consolidated holdings in this report. Additionally, 'in-kind' securities pledged to the ONE JIB will not be reflected in this report.

### **Discounts**

Certain fee discounts apply for investors in the ONE Investment Prudent Investor offering. These discounts include a 4bps discount that applies to AUM of Founding Members, and 'tier discounts' that apply for any investors with balances in excess of certain thresholds. These discounts would not apply to HISA balances but would apply to balances in Legal List portfolios (if applicable). Discounts will be rebated to the municipalities on a quarterly basis. These discounts are not taken into consideration in the performance details in this investment report.

**Distribution:** a payment of interest or dividends made by ONE Investment from a portfolio. Distributions are automatically reinvested.

### **Duration**

This statistic applies to bonds and is similar in concept to term to maturity. The difference is that duration also takes into account the size and timing of interest payments. A bond with higher coupon payments will have a shorter duration than one with the same term to maturity and lower coupon payments: the reason is that the higher-coupon bond receives more of its return earlier. The higher the duration of a bond, the higher its sensitivity to interest rate movements.

### **Fees**

Fees include all expenses involved in managing the fund: external investment manager fees, custody costs, ONE Investment's costs and administrative costs.

### **Global Bond Fund**

The ONE Global Bond Fund is an unconstrained global bond mandate managed by Manulife Asset Management. The unconstrained nature of the mandate means that the fund will contain a mix of global government, corporate and securitized debt, including emerging markets and high-yield securities. The mandate is not constrained by sector or currency. Manulife aims to outperform the benchmark, which is Bloomberg Barclays Multiverse Index Unhedged.

**Global Equity Fund**

The ONE Global Equity Fund holds Global stocks managed by Mawer Investment Management. Mawer aims to outperform the benchmark, which is MSCI All Country World Index (ACWI). This mandate invests in both emerging and developed markets. Manager will allocate capital to the best global opportunities, which may include both large and small capitalization companies. This mandate is intended to be a broadly diversified portfolio of wealth-creating companies bought at discounts to their intrinsic values that typically employ a long-term holding period.

**High Interest Savings Account (HISA)**

This bank account is provided by CIBC. Its very short-term nature precludes it from being considered an investment. Interest income from HISA will be reflected only in the executive summary page as will a list of HISA transitions. As the HISA product is a demand deposit, its value of his does not fluctuate daily. In this way it differs from the ONE Investment fund whose price change in response to changes in the value of underlying investments. Returns for individual accounts holding HISA will not be presented in the report beyond what is disclosed in the executive summary. HISA balances held in the Prudent Investor Offering reflect MNRI and will be under the control of the ONE JIB.

**Holdings:** the ONE Investment funds or HISA Balances held in client accounts.

**Inception Date**

The inception is the first date that an investment was made. For each account, this will be the first time funds were transferred in; for funds offered by ONE Investment, it is the date the funds started. For ONE JIB Founders, the Inception date is July 2, 2020.

**Income**

Income is a cash flow generated by an investment and normally includes interest on bonds and dividends on stocks. It is differentiated from capital gains, which also contribute to returns, but which are not considered income.

**Investment Manager**

Investment managers are external firms hired by ONE Investment to create funds to our specifications. These are MFS Investment Management Canada for Canadian fixed income, Manulife Asset Management for global fixed income, Guardian Capital Group Ltd for Canadian equity, and Mawer Investment Management Ltd for global equity.

**Market Value**

The value of an investment at current market prices, calculated by multiplying the Price (defined below) by the number of units held.

### **ONE Joint Investment Board (ONE JIB)**

The joint board established by founding municipalities as a municipal services board under section 202 of the Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for the municipality, as constituted from time to time and acting pursuant to the Terms of Reference set out in the ONE JIB Agreement.

### **Outcome**

Outcome means, in the context of the Investment Plan, the same thing as ‘solution’. Investment Outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each municipal investor are intended to reflect the needs and circumstances of the municipality. ONE JIB has five pre-defined basic outcomes:

**Cash:** The Cash Outcome is designed for investments with a time horizon of less than 3 years. Preservation of capital and liquidity are the highest priorities. Investments allocated to this outcome are expected to be transferred back to the care and control of the municipal treasurer when the funds are reclassified as MRI.

**Contingency:** The Contingency outcome is designed for investing contingency reserves. The funds in this outcome may be drawn upon to meet unexpected needs and infrequent events. The investment horizon for this outcome is typically greater than 5 years, with an emphasis placed on long-term growth and preservation of purchasing power is a key consideration.

**Asset Management Reserves:** The Asset Management Reserve Outcome is specifically designed for very long investment horizons with a well-defined purpose. Allocations to this Outcome are intended to generate returns to help fund asset management objectives. The long-term nature of asset management reserves allows this Outcome to emphasize long-term growth.

**Stable Return:** The Stable Return Outcome is designed to provide an annual income while preserving the value of the principal investment. The principal amount is often invested in perpetuity with no intent to withdraw for the foreseeable future. This outcome is frequently used by municipalities looking to replace the income stream of a utility that has been sold, with some or all proceeds of the sale acting as the principal.

**Target Date:** The Target Date Outcomes are designed for contributions toward planned capital projects. There are three target date designs for different time horizons: 3 to 5 years; 5 to 10 years; and greater than 10 years. For capital projects in the 3-to-5-year range, preservation of capital is prioritized. For projects in the 5-to-10-year range, emphasis is placed on inflation mitigation and meeting target funding requirements. For projects in the greater-than-10-year range, emphasis is placed on longer-term inflation adjusted growth.

### **Price**

The price of ONE funds is the unit price at a point in time, also known as the net asset value, which is calculated daily by CIBC Mellon. This price takes into account the last traded prices of all securities held by the manager, the bid/ask spread where no recent trade is available and a daily accrual for all fees including investment management and administration.

### **Prudent Investor Standard**

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

### **Quality**

This statistic refers to the creditworthiness of bonds based on ratings provided by bond rating agencies such as S&P, DBRS, Fitch and Moody's. The highest quality bonds are rated AAA and range down from there to AA, A and BBB, all of which are investment grade ratings. Ratings below BBB are considered high yield. The lower a credit rating, the higher a bond's yield to maturity and commensurate risk of default on interest payments or principal. The credit rating on an entire fund is calculated as a weighted average.

### **Realized and Unrealized Gains**

Capital gains reflect the movement in the Price of investments as they rise over time relative to their average Unit Cost. Negative gains are losses, meaning that the Price of the units in the account is lower than the average Price paid for them (Unit Cost). Because gains / losses are calculated based on net asset values, they are diminished by the amount of fees. (Please see Fees, Price and Unit Cost.)

- **Unrealized gains** exist "on paper" until the investment is sold in return for cash, at which point they become realized.
- **Realized gains** are generated by withdrawals from accounts during the time period in question based on the unit Price compared to the Unit Cost.

### **Returns**

Returns measure the percentage increment in value generated by investments over a period of time. Unless otherwise noted, time-weighted total returns are reported here, which include all forms of income and capital gains. There are different aspects to return calculations explained below.

- **Annual return:** reflects the total return generated by investments in the specified year any between January 1 to December 31.
- **Annualized return:** the total return generated by investments in periods greater than one year. Annualized returns are the geometric average over a multi-year period, meaning they represent the compound return. For periods of one year or less, the actual return is shown without the effect of compounding.

- Returns in this report are calculated net of fees based on the Prices of the ONE Investment funds. These are calculated daily by CIBC Mellon and take into account all fees and costs associated with managing the fund.
- Return details in this report do not account for fee discounts that may apply for some Prudent Investor clients.
- Time-weighted returns: returns in this report are time-weighted in order for them to be compared to the benchmarks. Time-weighted returns are calculated in a way that excludes the effect of the timing of contributions and withdrawals (cash flows) from the fund. (To capture the effect of cash flows and measure their impact on returns, investors would instead need use dollar-weighted return calculations.)

**Unit Cost:** the weighted average Price paid for all the Fund units held in the account and reflects the impact of units bought and sold over time.

**Unrealized Gains:** Please see Realized and Unrealized Gains

**Value Added:** The return generated by an investment manager above (or below, if negative) the benchmark.

**Year to Date:** The time period beginning January 1 and ending at the most recent quarter end.

***Calculation notes and disclosures***

*Certain numbers displayed in this report have been rounded up or down. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown. All percentage changes and key figures were calculated using the underlying data.*

*The column labeled "Change in Market Value" in the quarterly report is inclusive of unrealized capital gains in the period and reinvested capital gains distributions. Capital gain distributions only occur in the fourth quarter of the calendar year. The details of distributions are elaborated in greater detail in the year-end supplemental report.*

*Investment commentaries included in this reporting package were based on reports provided by the external managers. The text may reflect wording directly from the external managers and may also include interpretations and analysis provided by ONE Investments staff.*