ONE
INVESTMENT

City of Kenora

Investment Plan

DRAFT

Date: [June 1, 2020]

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1. Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regulation: means Ontario Regulation 438/97.

2. Purpose of Investment Plan

As required under the Act's Prudent Investor regime, this Investment Plan (Plan) establishes how ONE Joint Investment Board (ONE JIB) will invest Kenora's money that it does not require immediately (Long-Term Funds or MNRI). These Long-Term Funds have been determined by Kenora to be not immediately required by Kenora (MNRI). This Plan complies with Kenora's Investment Policy Statement (IPS) adopted by Council on February 18, 2020 and is based on the information in the Municipal Client Questionnaire dated February 18, 2020 attached as Appendix A. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Kenora.

At least annually, following Council's review of its IPS, ONE JIB shall review this Plan and update it as needed. This current Plan should be reviewed by February 18, 2021.

3. Responsibility for Plan

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

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

4. Custodian

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

5. Investment Goals and Objectives

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

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

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

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

Kenora's investment objectives for MNRI can be broadly categorized as follows:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk with emphasis on growth, liquid	very long (but readily available as needed)
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	long (5+ years)
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements. May also include contributions to asset management reserves	Lower risk, liquid	< 5 years
		Moderate risk with emphasis on stable returns, liquid	5 to 10 years
		Higher risk with emphasis on growth, liquid	Greater than 10 years

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

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

Additionally the City has significant funding flexibility as most of the MNRI has been identified as having a very long time horizon. Funding needs within the next 5 years out of MNRI are estimated at $7.3 million, which represents 17% of MNRI monies. It is possible that annual municipal cashflows may fund a portion of this estimated spending. This means that the vast majority of the MNRI can be invested for long term capital gain potential.

A significant portion of Kenora's MNRI reflects balances of the Citizens Prosperity Trust Fund (CPTF) which was established in 2008 from proceeds of the sale of the municipality's holdings in a telephone company. This Trust Fund's investments are intended to be invested in perpetuity with the initial capital to remain intact and income/gains from the Fund to be available to be utilised within the municipal budget. Specifically the City intends $1.1 million annually from investment income/returns to be available to be spent within the municipal budget. The breakdown of the CPTF as at October 31, 2019 are as follows (note that this allocation identifies where the CPTF investments are currently held which is a consideration for transition planning purposes):

Citizen's Prosp Trust Investments	Amounts	Breakdowns
of which ONE		15,432,736
of which ONE HISA		914,682
of which RBC Dexia		21,376,006
Total CPTF Investments	37,723,424	
of which are MNRI	27,339,262	
ONE		17,418,040
RBC Dexia		9,921,222
of which are MRI	10,384,162	
ONE		(1,070,622)
RBC Dexia		11,454,784

6. Investment Allocations

6.1 Asset Allocations

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

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

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

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

- Current economic conditions can be characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. It would seem that the global economy is in the later stages of an economic expansion, and there is some potential for deceleration of economic growth going forward and potential for global trade tensions or other macro economic risks to adversely affect growth.
- Inflationary pressures in Canada remain relatively benign and it is reasonable to expect that inflation as measured by the Consumer Price Index (CPI) will remain broadly in the range of 2% per annum. However, to protect the purchasing power of existing monies invested with the ONE JIB returns will also need to consider the change in Non-Residential Construction Price Index (a version of the inflation index that is most relevant for the municipality). Allocations to equity investments in Kenora's plan should help to achieve this goal. Achieving such results will require Kenora to achieve higher returns than seem currently available within fixed income investment opportunities. As such, a meaningful allocation to equities will be appropriate to achieve this goal.
- Investment allocations will be diversified to help reduce the volatility of the investment portfolio and offer suitable risk return characteristics for Kenora.
- Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Investment Manager believes to be appropriate for Kenora. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining a risk profile that is appropriate for the municipality.

6.2 Account Structure

The amounts of Money Not Required Immediately, as disclosed in Kenora's Municipal Client Questionnaire dated February 18, 2020 have been allocated into investment outcome categories to provide guidance to the ONE JIB when investing these monies.

In summary, the total allocation to each outcome is:

Outcome	Allocation
Contingency Solution	1,670,443
Stable Return Solution	1,670,443
Target Date 2025 Solution	8,171,954
Target Date 2030 Solution	8,908,545
Target Date 2035 Solution	17,843,841
In Kind Securities received	5,000,000
Total (investable) MNRI	43,265,226

These outcomes will be generated using ONE Investment Pools and products to create solutions via specific asset allocations. Descriptions of the ONE Investment Pools and the asset allocations for each solution are in Appendix C and D. Note that the balances in the Target Date 2030 and Target Date 2035 (which collectively total $ 26,752,386) are intended to be primarily reflective of the portion of the CPTF balances that are MNRI (i.e. $27,339,262 noted in section 5 above).

The process of moving from the current investments to the target weights, both noted below, is outlined in the Transition Plan in Appendix E, which also details the securities that are expected to be received In-Kind.

6.3 Contingency Solution

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

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	0	10	15	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	15	25	35	Index D
Total		100		

Benchmark: 60% x Index A + 10% x Index B + 5% x Index C + 25% Index D

Contingency Solution returns and risk are discussed in section 6.6.

6.4 Stable Return Solution

Kenora has identified a need to generate a stable return on certain funds while also growing principal sufficiently to offset inflation. The Stable Return Solution is designed to generate income that could be used to fund regular municipal spending needs, and Kenora has identified the need for income/returns from investments to be incorporated within the annual budget. This need for income is intended to be primarily supported via a smaller allocation to the Stable Return Solution and a larger allocation to the 2030 and 2035 target date outcomes. The perpetual nature of monies in the CPTF and the specific guidance that $1.1 million in income be available annually predicates that long term growth needs to be an important consideration in addressing this goal. The investment allocations of the Stable Return Solution are in isolation not sufficient to meet the stated goal for $1.1 million in annual income. Hence these longer dated target date allocations are intend to provide the potential of long term capita growth that is necessary to achieve this goal.

All income generated from the Stable Return Solutions is intended to be reinvested into the stable return solution and to be available to be drawn down as needed by the municipality. Based on the expressed risk tolerances and current circumstances of the municipality, the Investment Manager has assigned the 'lowest risk' Stable Return Solution (which has a relatively low allocation to equities). Details of all asset mix ranges are available in Appendix C. Stable return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	25	30	35	Index B
ONE Canadian Equity Fund	0	0	0	Index C
ONE Global Equity Fund	8	10	12	Index D
Total		100		

Benchmark: 60% x Index A + 30% x Index B + 0% Index C + 10% x Index D
Stable Return Solution returns and risk are discussed in section 6.6.

6.5 Target Date Solution

Target date outcomes will be managed with the objective of providing for the return of principal and income and capital gains at a target date in the future. All income will be reinvested to ensure growth of the investments to meet the target date outcome. For the longer target date solutions funds will be invested in building block funds that follow a glide-path of progressively lower risk over time. The glide path is explained in Appendix D.

Investments in the 2025 Target Date Solution reflect the amount that Kenora specifically identified as having a time horizon of 5-10 years which is reflective of the intended time horizon of the 2025 Target Date Outcome. An allocation of approximately [$8.17] million or [3.9%] of MNRI will be allocated to the Target Date June 30 2025 Solution.

Target Date June 30 2025 Solution

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

ONE Global Equity Fund	15	20	25	Index D
Total		100		

Benchmark: 45% x Index A + 30% x Index F + 5% x Index C + 20% x Index D
Target Date June 30 2025 Solution returns and risk are discussed in section 6.6.

To provide growth for the CPTF monies large allocations to the 2030 and 2035 target date solutions are appropriate. According to the Municipal Client Questionnaire, in aggregate 69.9% of MNRI was identified as having a time horizon greater than 10 years. These amounts will be split into the 2030 and 2035 target date solutions accordingly (with 2/3rds allocated to the 2035 target date solution). The meaningful equity allocation in these Target Date Solutions should help to fund the annual municipal income needs and potentially also allow some capital appreciation over time. Some capital appreciation is desirable as it helps to offset the impact of price inflation on the purchasing power of monies invested.

The allocations for the 2030 Target Date Solution are as follows:

Target Date June 30 2030 Solution

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

Benchmark: 45% x Index A + 20% x Index F + 5% x Index C + 30% x Index D
Target Date June 30 2030 Solution returns and risk are discussed in section 6.6.

Based on discussions with the treasurer and input from the Municipal Client Questionnaire, the 2035 target date outcome was identified as most appropriate target date outcome to represent the very long term time horizon associated with the CPTF monies.:

Target Date June 30 2035 Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	5	10	15	Index F
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	35	40	45	Index D
Total		100		

Benchmark: 45% x Index A + 20% x Index F + 5% x Index C + 40% x Index D
Target Date June 30 2035 Solution returns and risk are discussed in section 6.6.

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing in the Prudent Investor regime. The table below provides a projection of the annual returns of the investment outcomes (and consolidated outcomes). These estimates were derived from an analysis of long-term returns based on conservative capital market assumptions and economic forecasts. These return details are presented for information purposes only and actual investment outcomes may differ materially from those shown below. Also note that the returns will vary from year to year and the actual investment returns available to be utilized within the municipal budget will fluctuate from year to year. It is anticipated that income in excess of the Municipal income target would effectively create a buffer so spending in any one budget year would not need to be directly tied to the performance of financial markets in any given year. Note the allocations weights in the table below reflect only MNRI that will be invested in ONE Investment Prudent Investor pools, which excludes securities received In-Kind. Income generated from securities received In-Kind has not been estimated in the details below:

Outcome	Weight	Expected Return	Annual Return or Income Exp.
Contingency	3.9%	4.2%	$ 70,075
Stable Return	3.9%	3.8%	63,393
Target Date 2025	18.9%	3.8%	310,534
Target Date 2030	20.6%	4.2%	373,268
Target Date 2035	41.2%	4.6%	817,248
In Kind Securities received	11.6%	na	na
Est. Portfolio Returns	100.0%	4.3%	$ 1,634,519

Municipal Income Target	$ 1,100,000
Expected Income in excess of target	$ 534,519
Additional Expected Income from In-Kind Securities	Unknown

Returns should be more than sufficient to satisfy the annual income requirements of CPTF and allow for further growth in balances over time.

6.7 Other Accounts

[this section does not apply]

7. Constraints

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

7.1 Environmental, Social and Governance (ESG) Investing

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

7.2 Securities Lending

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

7.3 Derivatives

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

8. External Portfolio Managers

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

9. Rebalancing

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

ONE Investment will rebalance all accounts as close as practicable back to target weights twice annually based on a fixed time schedule. ONE JIB has established rebalance dates of April 15 and

October 15. Accounts that are within a 2% threshold of the intended targets would not need to be rebalanced as part of this periodic rebalancing process.

10. Accommodating Cashflow Needs

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

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

There are certain investments made by Kenora that have a strategic purpose beyond solely generating investment returns. These investments often involve provision of services within the community or may have resulted from legacy assets of the municipality. While technically these assets are part of the responsibility of ONE JIB, ONE JIB will not be exercising discretion in the management of these investments. While the value of these assets may count towards the AUM thresholds as stipulated in appropriate legislation governing the Prudent Investor regime, the JIB does not intend to exercise control of such investments. The Treasurer has expressed a desire to be actively involved with the Kenora Hydro investments (described below) for which the JIB is supportive. These investments will remain under the control and custody of the municipality.

[insert table that shows the details of the Kenora Hydro investments ie number of shares and estimated value of investments]

11.2 Transitional Investments

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

A portion of the legal list investments invested in ONE Investment portfolios will be liquidated and additionally some securities held at RBC Dexia that will either be liquidated or transferred In-Kind to the JIB. It is expected that investments that will be transferred In-Kind will not be liquidated as these securities may have limited market liquidity or there may be sensitivity for the municipality to recognize losses by selling them before maturity. It is anticipated that these securities transferred In-Kind will be used for liquidity purposes within the Investment Plan. The City anticipates a need to fund approximately $5 million of spending for capital projects at the end of 2022 or early in 2023. Because of the timeframe, monies have been allocated to MNRI accordingly and the treasurer has earmarked the In-Kind securities to provide liquidity for this. As such the $5 million of In-Kind securities are anticipated to be transferred back to the municipality over the next few years to provide liquidity for the expected capital spending. This amount will likely be re-designated as MRI in subsequent annual reviews by the municipality. More detail on the transition planning is detailed in Appendix E.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Overall Kenora's investment horizon is very long, with the CPTF monies representing a vast majority of the City's MNRI. The CPFT is intended to represent a perpetual fund which provides a source of recurring income to be utilized within the Municipal budget. The long term nature suggests that a significant allocation to equities will be required to provide the required growth and income that the municipality requires. The need to achieve growth for the monies invested with above-inflation returns also suggests a meaningful equity allocation is appropriate.

As at October 31, 2019 the City had approximately $15 million in exposure to equities, which represents about 1/3 of MNRI. This amount of exposure to equities is appropriate at an aggregate level considering the City's objectives, goals and circumstances. Under Prudent Investor broadly similar exposure to equities will remain appropriate. As the City's investments are transitioned into the Prudent Investor regime, the enhanced diversification potential vs the Legal List implies that overall risk levels would be somewhat lower under the Prudent Investor regime.

The municipality has retained 8.9 million MRI as working capital and short term contingency reserves. As needed additional amounts may be drawn down by the municipality from MNRI for planed spending or unexpected events. Approximately $7.3 million of MNRI was identified as having a investment horizon of 2-5 years. The investment plan includes a transition plan where approximately $5 Million of securities received In-Kind will be held to address liquidity needs in this 2-5 year time frame as needed. If additional liquidity is required in the 2-5 year time period balances from the Contingency and Stable Return Solutions can also be utilized.

Overall the municipality has the flexibility to assume a moderate risk profile for the consolidated portfolio with investment allocations being influenced by the relatively long time horizon associated with the MNRI. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at 32.4%, which is an appropriate level for the municipality.

Signed by:

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

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Appendix A: Most Recent Municipal Client Questionnaire

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Appendix B: Process for Communicating Changes in Investment Needs

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

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

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

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

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

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

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Solutions

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

Contingency Solution

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

Stable Return Solution

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

Asset allocations for target date solutions are in Appendix D.

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

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

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

Appendix E: Transition Plan [To Be Completed]

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

Current Holdings – ONE	Amount
ONE Universe Corporate Bond Portfolio	11,804,793.19
ONE Investment HISA	5,934,402.74
ONE Equity Portfolio	15,061,568.38
ONE Bond Portfolio	6,252,114.57
	39,052,878.88

Current Holdings – RBC Dexia	Amount
Securities to be liquidated (& Proceeds transferred to JIB)	5,000,000
Securities to be transferred In-Kind to JIB	5,146,750
Securities held at RBC Dexia (MRI)	11,229,256
	21,376,006

The objective is to move to the intended investment allocations as quickly as practicable. The settlement cycle on ONE Investment portfolios & HISA is very short so no special considerations will need to be planned to accommodate the transition of assets to the JIB. The client also has approximately [$10.2 million] held in Securities held at RBC Dexia that will form a portion of MNRI. Approximately [$5] million will be liquidated and the proceeds would could be transitioned into ONE Investment Prudent Investor pools with the remainder to be transferred In-Kind to the JIB. The securities transferred In-Kind also represent as part of the municipality's contribution to the JIB. It is anticipated that these In-Kind securities will be transferred back to the municipality in subsequent annual reviews as MNRI is expected to be reduced to accommodate for about $5 million in capital spending in 2022/2023. This means that no transition plan is needed to accommodate for the maturity or disposal of In-Kind securities.

Date

Treasurer	Keith Taylor, Investment Manager ONE Investment

Appendix F: Transferring Funds

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

Appendix G: ONE JIB's Investment Approach

Investment Approach

Investment Approach

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

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

Capital Markets Beliefs

Asset Allocation

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

e. Income generation

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

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

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

Asset Classes and Asset Class Strategies

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

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

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

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

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

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

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

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

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

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

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

Investment Managers

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

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

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

Other

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

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

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