

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: March 1, 2023
Re: Investment Plan Implementation Update - Q4 2022
Report: ONE JIB 2023-003

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

The Cities of Quinte West and Kenora's updated Investment Plans, which were approved on November 30, 2022, were implemented in early December 2022.

Quinte West's Investment Plan did not involve additional contributions or withdrawals of MNRI and there were no changes in the allocation of MNRI to its investment Outcomes and hence no trading was required.

Kenora's updated Investment Plan did involve contributions/withdrawals from MNRI, which required movement of monies and some trading to implement. This report summarizes the activities related to the implementation of the changes in Kenora's updated Investment Plan.

3. BACKGROUND

Kenora's MNRI is divided between two accounts, the Citizens' Prosperity Trust Fund and the General Account

Kenora's MCQ segregates MNRI into two distinct portions. The Citizens' Prosperity Trust Fund (CPTF) is a perpetual trust that is intended to be a source of recurring income for Kenora. The General Account consists of the MNRI portion of Kenora's reserves.

The CPTF balances have a perpetual investment horizon. Kenora does not plan to spend the initial capital but intends to use the income generated to contribute to the municipal budget. Kenora targets annual distributions from the CPTF of \$1.1 million annually. The MNRI of the CPTF is invested in the Stable Return Outcome. The MNRI of the General Account is invested in the Contingency and Target Date 3-5 Year Outcomes. Kenora also has money required immediately associated with the CPTF and General Account that are managed directly by the Treasurer.

4. ANALYSIS

Kenora's updated Investment Plan included a contribution of \$500,000 to the General Account that required transactions in the ONE HISA and pooled funds

The two movements affecting MNRI associated with the General Account and CPTF were implemented independently. The \$500,000 contribution to the General Account was drawn from Kenora's Legal List HISA account and deployed into the Target Date 3-5 Year Outcome in early December. These monies were allocated into the ONE HISA and each of the pooled funds. These transactions were designed to restore the Target Date 3-5 Year Outcome to target allocation weights.

Kenora's updated Investment Plan also involved a withdrawal of \$300,000 of MNRI from the CPTF that was funded with cash balances from Kenora's in-kind bond portfolio

The withdrawal of \$300,000 of MNRI associated with the CPTF reflects a portion of the income that Kenora draws from the CPTF annually. The Treasurer also used \$800,000 of MRI associated with the CPTF to fund the remainder of the \$1.1 million in income distributions from the CPTF to Kenora.

The withdrawal of \$300,000 from the CPTF MNRI did not require any security transactions as cash held in its in-kind bond portfolio was sufficient to fund the withdrawal. The MNRI of the CPTF includes approximately \$3 million of bonds held in-kind with ONE Investment's custodian. As bonds mature and interest payments are made, the proceeds are deployed into the Stable Returns Outcome periodically. The accumulated cash in the in-kind bond custody account along with proceeds from a bond maturity on December 15th were used to provide the cash for the \$300,000 withdrawal of MNRI.

5. CONCLUSION

The updated Investment Plans for Quinte West and Kenora were implemented successfully. Quinte West's updated Investment Plan did not require any transactions to implement, and the transactions related to Kenora's updated Investment Plan were implemented in December 2022.

Drafted by: Keith Taylor, Chief Investment Officer, ONE Investment

Approved by: Judy Dezell and Donna Herridge, Co-presidents/CEOs, ONE Investment