Appendix 3 – Account Mapping and Investment Allocations
Town of Bracebridge

1. Summary

- Bracebridge has $5.7 million available to invest, all with a time horizon of greater than 10 years.
- The Bracebridge's Council has established its investment objectives and risk
- The revised outcomes and further analysis prompted shifting some MNRI to alternate outcomes.
- The changes to the outcomes result in an increase in the allocation to equities from 33% in total to 67.6%
- The increase exposure to equites increases expected returns by 0.9% while increasing standard deviation by 2.6%.

2. Background

Bracebridge's IPS and MCQ establish the amount available for investing, their investment objectives, investment horizons and risk tolerance

Bracebridge initially has $5.7 million available for the ONE JIB to invest, all of which is expected to have a timeframe of greater than 10 years. At the end of 2019, the Town had reserves and reserve funds totalling approximately $14.8 million. However, the Town expects a significant drawdown of its reserves in 2020 to support the construction of a multi-use community centre costing $54 million, leaving a forecast balance of $6.75 million. A portion of this is self-financed (i.e., the municipality has borrowed from their reserve and reserve funds), resulting in a balance of $5.7 million in money not required immediately.

After a drawdown for the community centre, Bracebridge plans to rebuild its reserves. Capital reserves, which are the target date reserves, are expected to grow by more than 5% annually. These target date reserves are expected to grow from $2.9 million in 2020 to $17 million by 2030. The MNRI portion of reserves established for contingency purposes are expected to remain roughly constant over the next three years.

The Town does not anticipate liquidating any of its investments over the next ten years.
The Town's return objective is an annual return that at least meets inflation. Their primary objectives based on the time horizon and needs should be oriented around growth in investments.

Bracebridge's overall risk tolerance is moderate with an annual downside comfort of -5% in a single year. Their IPS states their risk tolerance on contingency and target date funds with a term of greater than 5 years is high.

3. Analysis

Mapping Bracebridge's MNRI to the revised outcomes shifts $2M from the Stable Return outcome to the refined contingency outcome.

Further analysis of Bracebridge's cash flow forecasts indicated that the investment horizon of the money previously allocated to Stable Return would be more appropriately shifted to the Contingency outcome. As the Target Date outcomes were consolidated into 5-10 year and greater than 10 year time horizons, the appropriate allocation of their Target Date 2030 funds was the Target Date > 10 years outcome.

Table 1
Comparison of MNRI allocation to Original and Revised Outcomes

Draft Plan Presented to Council		Revised Mapping	
Original Outcomes	Amount ($)	Revised Outcomes	Amount ($)
Target Date 2023		Cash < 3 yrs	
Target Date 2025		Cash Plus 3-5 yrs	
Stable Return	2,036,309	Stable Return	
Contingency (Low to moderate risk)	761,358	Contingency	2,797,667
Contingency (High risk)		Asset mgt reserves	
Target Date 2030	2,898,710	Target Date 5-10 yrs	
Target Date 2035, 2040, 2045		Target Date > 10 yrs	2,898,710
Total	$5,696,377		$5,696,377

Compared to the Draft Plan the Revised Mappings would shift the overall allocations from 33% equities to 67.6% equities.

The revised outcomes mapping, along with the revised suggested fund allocation weights for each outcome, results in a shift among funds. The changes result in a greater allocation to both the Canadian Equity Fund and the Global Equity Fund and a decreased allocation to the CDN Government, Canadian Corporate, and Global Bond Funds. See table 2 for specific allocations.

Table 2
Allocation Between ONE Funds
Comparison between Original Draft and Revised Mapping

	Draft Plan Presented to Council		Revised Mapping	
Fund	Total Invested	Percentage	Total Invested	Percentage
HISA	-	0.0%	-	0.0%
CDN Equity Fund	322,887	5.7%	1,155,790	20.3%
Global Equity Fund	1,555,738	27.3%	2,696,843	47.3%
CDN Govt Bond Fund	445,330	7.8%	276,562	4.9%
CND Corp Bond Fund	579,742	10.2%	276,562	4.9%
Global Bond Fund	2,792,680	49.0%	1,290,621	22.7%
Total $	$5,696,377	100.0%	$5,696,377	100.0%

The proposed changes to mapping and allocations will increase the average expected returns but will also increase the volatility of the portfolio

The revised outcome mappings and increased equity allocation will increase expected returns to 5.1% from 4.2%. The changes would also mean that standard deviation would increase from 4.6% to 7.2% compared to the plan presented to council. See table 3 for further details.

Table 3
Risk and Return Comparison
Draft plan to Revised Mappings

Plan version	Average Expected Returns	Standard Deviation
Draft Plan Presented to Council	4.2	4.6
Revised Plan Based on New Mappings	5.1	7.2
Difference	+0.9	+2.6

5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Bracebridge's risk tolerance and return objectives.

Prepared by: Colin Macdonald, Manager of Investments and Keith Taylor Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO