Town of Innisfil

DRAFT Investment Plan

Date: June 1, 2020

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

Contents

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 Innisfil'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, Innisfil's objectives and risk tolerances.

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

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 Innisfil, 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 Innisfil'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 Innisfil'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 Innisfil's money that it does not require immediately (Long-Term Funds or MNRI). These Long-Term Funds have been determined by Innisfil to be not immediately required by Innisfil (MNRI). This Plan complies with Innisfil's Investment Policy Statement (IPS) adopted by Council on [March 11, 2020] and is based on the information in the Municipal Client Questionnaire dated [March 11, 2020] attached as Appendix A. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Innisfil.

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 [March 11, 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 Innisfil's IPS and ONE JIB's own investment policies and standards.

This Plan is dependent on clear communication between Innisfil, ONE JIB and ONE Investment regarding Innisfil'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 Innisfil 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 Innisfil. 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 Innisfil by CIBC Mellon.

5. Investment Goals and Objectives

Innisfil'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 Innisfil'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 Innisfil has some definition of an obligation for a specific project at a specific time. At present time Innisfil will not be investing in ONE Investment target date outcomes, but may in the future.

Innisfil'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 tolerance, emphasis on growth, liquid	long but timing of drawdowns is uncertain
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	long (5+ years)

The above table summarizes Innisfil'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 Municipal 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 Innisfil'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 Town has significant funding flexibility as most of the MNRI has been identified as having a long time horizon.

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 Innisfil'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 Innisfil's plan should help to achieve this goal. Achieving such results will require Innisfil 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 Innisfil.

- 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 Innisfil. 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 Innisfil's Municipal Client Questionnaire dated 03,11,2020 have been allocated into investment outcome categories to provide guidance to the ONE JIB when investing these monies.

In summary, the initial allocation to each outcome is:

Outcome	Allocation
Contingency Solution	7,500,000
Stable Return Solution	7,500,000
Total MNRI	15,000,000

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.

The process of moving from the current investments to the target weights in this Plan, is outlined in the Transition Plan in Appendix E. As the Town has sufficient balances in the ONE HISA and other highly liquid investments such that little planning is required for this transition.

6.3 Contingency Solution

Innisfil has a need to generate long-term growth for funds within the Contingency Solution and potentially funds may be drawn upon during times of unexpected need. Additionally, the majority of MNRI consists of reserves where growth oriented investments would be highly appropriate to help fund capital projects, but the timing of potential drawdowns faces considerable uncertainty. Emphasis on the preservation of purchasing power / inflation considerations is a key consideration. Innisfil's circumstances should allow them to take a moderate 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

Innisfil has identified a need to generate stable returns 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. Innisfil has identified that the Stable Return outcome should represent a large portion of their MNRI as it is appropriate considering its objectives and risk tolerances.

All income generated from the Stable Return Solutions will be reinvested into the stable return solution. Based on the expressed risk tolerances and current circumstances of the municipality, the Investment Manager has assigned the 'low 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	15	20	25	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	10	15	20	Index D
Total		100		

Benchmark: 60% x Index A + 20% x Index B + 5% Index C + 15% 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.

At the time of the writing of this Investment Plan on March 11, 2020 the use of Target Date Solutions was not deemed appropriate considering the municipalities needs and preferences. It may be appropriate to add target date solution allocations at date in the future if circumstances change.

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.

Outcome	Weight	Expected Return	Annual Return or Income Exp.
Contingency	50.0%	4.2%	$ 314,625
Stable Return	50.0%	3.8%	284,625
Est. Portfolio Returns	100.0%	4.0%	$ 599,250

Note that the annual return or income expectation noted above is based on long-term expectations, entirely hypothetical and will be highly variable from year to year.

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 Innisfil. Once informed of changing needs at Innisfil 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 Innisfil are expected to be financed with the sale of fund units or liquidation of transitioned investments. Any fee discounts that apply for Innisfil 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

Typically municipalities may have certain investments 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. Some of these investments could be counted as monies that are part of MNRI but control of these assets would remain with the municipality.

At the time of the preparation of this Investment Plan, Innisfil had two such investments:

Investment	Type	Value of Investment
Innpower Corporation	Local Distribution Company (LDC)	$ 22,510,137
Innterprises Inc.	LDC Affiliate	$ 179,740

11.2 Transitional Investments

The transition of monies into MNRI will involve the sale of some or all of ONE Investment portfolios or HISA. 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 such limited planning is needed for the transition into the Prudent Investor offerings. 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 Innisfil's investment horizon is long, and their asset management planning reflects significant infrastructure investment as the town grows. Significant capital spending will be involved though there is notable uncertainty of the timeline for spending for developer related projects. This means that the asset management plans don't help define the cashflow needs easily. This means the municipality's cashflow planning is less well defined. This latter point means that flexibility is required so that sufficient liquidity is available to address needs that cannot be defined with a precise timeline.

The municipality has overall balances of about $100 million of which $15 million represent MNRI. The municipality has considerable flexibility to fund projects and needs out of these resources. Although there are specific reserves and reserve accounts that underlie the amounts designated as MNRI, there is little in the way of large tangible spending needs that are anticipated that would require monies to be drawn down from MNRI in the foreseeable future. It is reasonable to expect the balance of MNRI to be at or above the $15 million level for at least the next 5 years. As such the investment horizon is relatively long, which should allow flexibility to invest the MNRI funds to assume a moderate amount of risk while investing for growth over a longer time frame.

The $15 million that Innisfil defines as MNRI, which will be transferred to the ONE JIB, will be financed by the Treasurer by selling existing ONE Investment Legal List products. With about $58 million in HISA and $5 million in the Bond portfolio there is more than enough in investments that can be readily liquidated to raise the funds to be transferred to the ONE JIB. As at December 31, 2019 the Town had no exposure to equities. Under the Prudent Investor regime one of the main goals is to improve the investment returns and allow balances of MNRI to grow over time. The Investment Manager recommends a meaningful exposure to equities to achieve this. Initial allocations to equities are expected to be about $3.75 million which represent 25% of overall MNRI. 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. This level of exposure to equities noted above is appropriate considering the long term nature of Innisfil's MNRI and investment risk profile of the community.

Based on these allocations, the long term return estimate for the investments is about 4.0% which is within context of the Town's objective to achieve growth within MNRI monies. Note that any forward looking return estimate are entirely hypothetical and will likely vary considerably from year to year. They are provided primarily for discussion purposes and to provide some context.

Signed by:

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

Appendix A: Most Recent Municipal Client Questionnaire

Appendix B: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Innisfil'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 http://oneinvestmentprogram.ca/

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

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.

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

At the writing of this Plan (25/02/2020), Innisfil's holdings were the following.

Current Holdings – ONE	Amount
ONE Bond Portfolio	$ 5,156,391.86
ONE HISA	$58,537,475.10
	$ 63,693,866.96

The objective is to move to the intended investment allocations as quickly as practicable. The $15 million MNRI that Innisfil discloses in its Client Questionnaire can be transferred to the JIB in an orderly fashion by liquidating some of their ONE Investment the legal list products. Due to the short settlement cycle of ONE Investment products and their high liquidity, no special planning is required to facilitate the transition into the Prudent Investor program at ONE Investment.

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.