

To: ONE Joint Investment Board
From: Evelyn Foo, Chief Compliance Officer, ONE Investment
Date: March 1, 2023
Re: Compliance Reports: Asset Class and Target Weight Allocations Q4 2022
Report: ONE JIB 2023-006

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

ONE Investment is providing two internal compliance reports to assist ONE JIB in monitoring the weights of investment holdings and asset classes relative to their targets for each Participating Municipality.

3. BACKGROUND

The portfolio management system generates reports to monitor allocation weights

The compliance reports generated by ONE Investment's portfolio management system show the positioning of all investment Outcome accounts of Participating Municipalities relative to their Target Weights as of December 31, 2022. These two compliance reports can be found in Appendices 1 and 2 of this report.

These compliance reports are provided to ONE JIB on a quarterly basis

These reports are provided to ONE JIB on a quarterly basis to allow it to monitor the allocations and understand the positioning of the Outcome accounts relative to the target asset class and holding weights. These reports also allow ONE JIB members to understand the quarter end positioning of the Outcome accounts and provide a basis for discussion with the Chief Investment Officer and Chief Compliance Officer on the positioning of the Outcome accounts. The Portfolio Asset Mix and the Allocation Drift Monitoring Reports highlight deviations from asset class (Equity Funds, Fixed Income Funds, Cash & Equivalents) target weights and Fund target weights by Outcome.

Portfolio Asset Mix Report

The two columns on the far right of the Portfolio Asset Mix report (Appendix 1) show the target and actual allocation weights for equity and fixed income asset classes.

Allocation Drift Monitoring Report

The Allocation Drift Monitoring report (Appendix 2) shows the degree to which the weights of individual holdings (Funds or HISA allocation) differ from the target weights assigned in the Investment Plan. The Chief Investment Officer and Chief Compliance Officer monitor this report on a regular basis as part of their portfolio oversight responsibilities.

The two columns on the far right of the Allocation Drift Monitoring Report highlight when allocation weights have moved notably from their target weights. The “2% Drift from target” column shows values when the absolute weight of a holding is above or below target by two percentage points. The “10% above Target” shows values when weight of a holding as a proportion of the target weight is 10% above or below the target weight.

4. ANALYSIS

Allocation weights for all Outcomes remain close to their intended targets

All allocation weights for each Participating Municipality remain close to their intended target weights and are within the expected tolerance bands. As a result, no rebalancing is required as of the date of this report.

5. CONCLUSION

ONE Investment uses its portfolio management system to monitor municipal account allocations in relation to ONE JIB's Outcomes. The attached report provides ONE JIB with the tools to monitor the positioning of asset classes and individual holdings within the Outcomes relative to their intended targets.

Drafted by: Evelyn Foo, Chief Compliance Officer

Approved by: Judy Dezell and Donna Herridge - Co-Presidents/CEO