

Name: Investment Policy		Policy Number: FI-009-2019
Administrative Approval Date:	Council Approval Date:	By-Law Reference:
Supersedes: AD:35; FI-009-2012	Most Recent Amendment Date: December 11, 2019 - DRAFT	Effective Date: June 1, 2020

POLICY STATEMENT

- The District Municipality of Muskoka strives to optimize utilization of its cash resources within statutory limitations while recognizing the importance of protecting and preserving capital together with the need to maintain solvency and liquidity to meet ongoing financial requirements. Funds that are defined as money not required immediately are to be invested within the scope of the Prudent Investor Standard where diversification and potential for the growth of investments play a prominent role.

DEFINITIONS

- The following capitalized terms have the meanings set out below:

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

Agent means any administrator, Custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.

Asset Mix (or Asset Allocation) means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.

Benchmark means an 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.

CFA Institute refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

Custodian means 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").

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, with the goal of enhancing long-term outcomes.

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

Internal Controls means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

Investment Plan means the investment plan applicable to the Long-Term Funds investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS) means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for Long-Term Funds under the Regulation, and for Short-Term Funds, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

Legal List Securities means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

Local Distribution Corporation (LDC) means a corporation incorporated under section 142 of the *Electricity Act, 1998*.

Long-Term Funds means the Municipality's money that is to be used to meet financial obligations that become due more than eighteen (18) months following the date of receipt of such money and is characterized as money that is not required immediately by the Municipality as described in section 24. Monies that are Long-Term Funds will be invested in accordance with the Prudent Investor Standard.

Modern Portfolio Theory means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

Municipality means The District Municipality of Muskoka.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

ONE JIB means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

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 the Municipality's Long-Term Funds.

Participating Municipality means each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.

Pooled Fund means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute funds that are invested and managed by an External Portfolio Manager. Funds are pooled or combined with funds of other investors.

Portfolio means any collection of funds that are grouped together and required for specific purposes.

Proxy Voting means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote by proxy on behalf of their clients.

Prudent Effective Date means [June 1, 2020], the date on which the prudent investor regime applies to the Municipality.

Prudent Investor Standard means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Funds, rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

Regulation means Ontario Regulation 438/97.

Risk means the uncertainty of future investment returns.

Risk Tolerance means the financial ability to absorb a loss. Risk tolerance increases with the build-up of capital funding.

Securities Lending means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

Short-Term Funds means money that is required immediately by the Municipality, as described in section 23, and which remains under the control and management of the Municipality. The funds can be invested in appropriate Legal List Securities.

Treasurer means the Treasurer as appointed by by-law of The District Municipality of Muskoka or their designate.

PURPOSE

3. This Investment Policy Statement (IPS) governs the investment of the Municipality's money not required immediately (MNRI) and money required immediately (MRI). The IPS is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI, by implementing the Founding Municipality Authorizing By-law, pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.
4. In addition to the Municipality's MRI and MNRI, the Municipality may, from time to time, be entrusted with the management of money and investments for a third party beneficiary ("third party trust funds"), as listed in Schedule A attached hereto. There are also source(s) of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Such source(s) of money, referred to in this IPS as "designated funds", are listed in Schedule A attached hereto. The designated funds are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest.
5. The goals of this IPS are to:
 - 5.1. Define and assign responsibilities for investment of MRI and MNRI;
 - 5.2. Describe the Municipality's responsibilities with respect to third party trust funds and designated funds;
 - 5.3. Ensure compliance with the applicable legislation;
 - 5.4. Direct ONE JIB as to the Municipality's investment goals and risk tolerance;
 - 5.5. Provide guidance and limitations regarding the investments and their underlying risks;
 - 5.6. Establish a basis of evaluating investment performance and the underlying risks; and
 - 5.7. Establish a reporting standard to Council.

SCOPE

6. This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio of the Municipality shall accept and strictly adhere to this IPS.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

LEGISLATIVE AUTHORITY

7. Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities.
8. Investments of MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.
9. Money and investments that the Municipality holds as third party trust funds or has an interest in as designated funds will be subject to applicable legislation and any related agreements or instruments.
10. The Act provides that the Municipality must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:
 - 10.1. General economic conditions;
 - 10.2. The possible effect of inflation or deflation;
 - 10.3. The role that each investment plays within the Municipality's total portfolio of investments;
 - 10.4. The expected total return from income and the appreciation of capital; and
 - 10.5. Needs for liquidity, regularity of income and preservation or appreciation of capital.

STANDARDS OF CARE

11. For MNRI, the standard to be used by the Municipality and ONE JIB shall be the "prudent investor" standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.
12. As well, the Prudent Investor Standard makes use of Modern Portfolio Theory, which looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio.
13. Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality's staff, acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY

14. Determination of the Municipality's MNRI is the responsibility of Council. In making the determination, Council may consider:
 - 14.1. the time horizon within which the monies are needed to meet financial obligations;
 - 14.2. the purpose for which the monies have been collected or set aside and are to be used;
 - 14.3. the source of the money; or
 - 14.4. any combination of the foregoing.
15. The Municipality's MNRI will be comprised of money that is to be used to meet financial obligations that become due more than eighteen (18) months from the date of receipt of such money by the Municipality.
16. For certainty, all money of the Municipality that has not been identified as MNRI (other than third party trust funds and any designated funds referenced in section 4) shall be deemed for purposes of this IPS to be MRI.
17. Determination of the Municipality's MNRI and MRI may be modified at any time and from time to time, by action of Council, and with respect to specific funds by the Treasurer, in accordance with the provisions set out in section 30.3.
18. Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.
19. The Municipality's portfolios represent funds required for specific purposes. A high level description of each of these portfolios and their objectives is provided in section 23.3.3. and section 24.3.2. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:
 - 19.1. MRI which is invested in Legal List Securities; and
 - 19.2. MNRI which is invested under the prudent investor regime.

ROLES AND RESPONSIBILITIES

20. No person including, without limitation, ONE JIB members, may engage in an investment transaction except as provided under the terms of this IPS.
21. **Role of ONE JIB**
 - 21.1. ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement (Appendix "A").

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

- 21.2. ONE JIB exercises control and management of the Municipality’s MNRI and the investments made by it with such MNRI.
- 21.3. Additional responsibilities of ONE JIB include:
 - 21.3.1. Reviewing this IPS;
 - 21.3.2. Adopting and maintaining an Investment Plan that complies with this IPS;
 - 21.3.3. Engaging External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);
 - 21.3.4. Allocating the money and investments under its control and management among External Portfolio Managers;
 - 21.3.5. Monitoring the performance of the Agents; and
 - 21.3.6. Reporting to the Municipality.
- 21.4. The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

22. Role of Municipal Staff

- 22.1. This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI. MRI of the Municipality, and any third party trust funds referenced in section 4, remain under the control and management of the Treasurer.
- 22.2. The Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:
 - 22.2.1. Investment management of MRI, and any third party trust funds referenced in section 4 by, or under the direction of, the Treasurer;
 - 22.2.2. In the management of MRI of the Municipality, and any third party trust funds referenced in section 4, the Treasurer may engage one or more agent(s) and service provider(s). ONE Investment can assist with the investment of the Municipality’s MRI, in Legal List Securities and with the investment of third party trust funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.
 - 22.2.3. Explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and
 - 22.2.4. A system of controls exercised by the Treasurer to regulate the activities of staff in the Finance Department.
- 22.3. Individuals involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

- 22.4. Authorized individuals acting in accordance with this policy and exercising due diligence shall be relieved of personal liability and responsibility for an individual security's credit risk or market price change.

INVESTMENT

23. MRI: Short-Term Funds

- 23.1. The Municipality's MRI is described in this IPS as Short-Term Funds. Short-Term Funds consist of money needed to meet the financial obligations of the Municipality coming due within eighteen (18) months from the date of receipt of such money and are controlled and managed by the Treasurer.

23.2. Short-Term Funds: Investment Objectives

- 23.2.1. The main focus of the investment of Short Term Funds is cash management, and the interest income generated by the investment is a contributor to budgetary revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations.

- 23.2.2. Capital preservation is paramount and this portfolio needs to be highly liquid. Consequently, only high quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in fully liquid money market securities and deposit accounts. The Municipality aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

23.3. Short-Term Funds: Eligible Investments

- 23.3.1. Short Term Funds may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial institutions. Eligible investments include the following offerings by ONE Investment:

23.3.1.1. ONE Investment High Interest Savings Account;

23.3.1.2. ONE Investment Money Market Portfolio; and

23.3.1.3. ONE Investment Bond Portfolio

- 23.3.2. Investment in the foregoing is subject to the Municipality entering into the prescribed Agency Agreement with LAS and CHUMS.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

23.3.3. The Municipality monitors and determines the amount of its MRI. It will, from time to time, be comprised of:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Stabilization	Preserve capital and generate consistent returns	Extremely low risk, next day liquidity	Less than 18 months
Target Date	Return of principal on a specific date to pay for specific capital projects	Extremely low risk, next day liquidity	Less than 18 months

24. MNRI: Long-Term Funds

24.1. The Municipality's MNRI is described in this IPS as Long-Term Funds. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Funds and the investments made therewith.

24.2. From time to time, the Municipality may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to pay those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

24.3. Long-Term Funds: Investment Objectives

24.3.1. In setting the objectives noted below, the Municipality has taken into account the following considerations:

- 24.3.1.1. Preservation of capital;
- 24.3.1.2. Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- 24.3.1.3. Diversification by asset class, market, sector, issuer, credit quality and term to maturity;
- 24.3.1.4. Income and capital appreciation; and
- 24.3.1.5. Macro risks, such as inflation, economic growth and interest rates.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

24.3.2. The Municipality has identified the following investment objectives for its Long-Term Funds:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Build special purpose reserves such as corporate working fund reserves and stabilization reserves	Liquid, high risk tolerance, high growth	Greater than 5 years
Stability	Preserve capital and generate consistent returns	Liquid, moderate risk tolerance, low to moderate growth	3 years to 5 years
Target Date	Return of principal on a specific date to pay for specific capital projects	Liquid, low risk tolerance, emphasis on capital preservation	18 months to 3 years
	Return of principal on a specific date to pay for specific capital projects	Liquid, moderate risk tolerance, low to moderate growth	3 years to 5 years
	Return of principal on a specific date to pay for specific capital projects	Liquidity not essential, high risk tolerance, high growth	Greater than 5 years

24.3.3. Investment of Long-Term Funds is managed by ONE JIB, which balances expected investment risks and returns to generate asset mixes that create outcomes to meet the needs and risk tolerances defined below. 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. To the extent possible, the Long-Term Funds' investment horizons are aligned with the Municipality's obligations and may consist of liquid and illiquid securities.

24.4. Long-Term Funds: Eligible Investments

24.4.1. Eligible investments for Long-Term Funds include the following offerings by ONE Investment:

- 24.4.1.1. ONE Investment High Interest Savings Account;
- 24.4.1.2. ONE Canadian Government Bond Fund;
- 24.4.1.3. ONE Canadian Corporate Bond Fund;

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

- 24.4.1.4. ONE Investment Canadian Equity Fund;
- 24.4.1.5. ONE Global Unconstrained Bond Fund; and
- 24.4.1.6. ONE Investment Global Equity Fund.

24.4.2. Additionally, nothing in this IPS prevents Long-Term Funds from being held in cash, short term money market instruments, or overnight deposits.

24.5. Long-Term Funds: Local Distribution Corporation (LDC) Securities

24.5.1. Not applicable

24.6. Long-Term Funds: Muskoka Debentures

24.6.1. Debentures previously issued by the Municipality which are available to be publicly traded may from time to time become attractive for the Municipality to repurchase prior to maturity. These investments shall be included as part of the Long-Term Funds. ONE JIB will be prohibited from selling the debentures without the consent of the Municipality. The Municipality will inform ONE JIB accordingly when such debenture repurchases take place.

25. Third Party Trust Funds and Designated Funds

- 25.1. In addition to the Municipality's own money, the Municipality is from time to time entrusted with third party trust funds, and the Municipality's responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to third party trust funds, the latter shall prevail.
- 25.2. The Municipality's third party trust funds and the designated funds are listed in Schedule "A".
- 25.3. For certainty, the third party trust funds and the designated funds are not MNRI of the Municipality, and such funds are not under the control or management of ONE JIB.

26. Investment Management

26.1. Investment Management of Short-Term Funds

26.1.1. The investment of Short-Term Funds shall be controlled and managed by the Treasurer.

26.2. Investment Management of Long-Term Funds

26.2.1. The investment of Long-Term Funds shall be controlled and managed by ONE JIB. An investment advisor shall be retained by ONE JIB to define and manage the asset allocation using External Portfolio Managers.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

26.2.2. Competent External Portfolio Managers shall be appointed by ONE JIB and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Municipality. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards and performance expectations, which are documented in each External Portfolio Manager's guidelines.

27. Transition to Prudent Investor Regime

- 27.1. Until the Prudent Effective Date, the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some of such investments were made with MRI and some with MNRI.
- 27.2. Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be MNRI shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by ONE JIB, in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a bank to be held to maturity and invested upon receipt of cash proceeds.
- 27.3. Management of third party trust funds and any designated funds is not directly affected by the Prudent Effective Date.

28. Investment Constraints

28.1. Environmental, Social and Governance (ESG) Investing

- 28.1.1. The Municipality supports ESG investing for Short-Term and Long-Term Funds.
- 28.1.2. For the investment of Short-Term Funds, the Treasurer is required to invest in instruments that support responsible ESG principles.
- 28.1.3. For the investment of Long-Term Funds, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested. Accommodating specific ESG considerations may not be possible either due to availability or to costs.

28.2. Securities Lending

- 28.2.1. The Municipality may invest in pooled funds, and other investment funds that are controlled by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager that apply to such pools permit such an action.

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

28.3. **Derivatives**

28.3.1. Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset, e.g. as for currency or other hedging, to change portfolio duration or in covered call strategies. Derivatives may not be used for speculative purposes.

28.4. **Use of Leverage**

28.4.1. Nothing in this IPS prevents the use of leverage, provided it is prudent to do so. Leverage is inherent in the use of certain types of investment strategies and instruments. Where leverage is employed, ONE JIB (for MNRI) and the Treasurer (for MRI) shall have in place monitoring procedures to manage overall exposure to any counterparty and in the aggregate.

28.5. **Pooled Funds**

28.5.1. All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof.

28.6. **Currency Hedging**

28.6.1. The Municipality's funding requirements are in Canadian dollars. Accordingly, foreign currency exposure is generally hedged back to Canadian currency. However, it shall not be a violation of this IPS for investments in global mandates to be 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.

29. **Performance Monitoring, Rebalancing and Management**

29.1. **Short-Term Funds**

29.1.1. The Treasurer shall monitor the performance, rebalance asset mix and manage short-term funds in a manner that achieves the investment objectives set out in this IPS.

29.2. **Long-Term Funds**

29.2.1. For the investment of Long-Term Funds, each account's asset mix will be monitored on a frequent basis by ONE JIB. Should the asset mixes deviate outside the ranges set out in the Investment Plan, the account will be rebalanced as soon as practicable taking into consideration variations in market liquidity and the investment objectives. Cash inflows and outflows will be used to rebalance as much as possible. If they are insufficient, investments will be sold in a commercially reasonable manner and reallocated, as required.

29.2.2. Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. ONE JIB shall provide at least annual reporting described in section 35.2 that

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

demonstrates the Municipality's holdings, declares compliance with this IPS and shows External Portfolio Manager performance.

ADMINISTRATIVE POLICIES

30. Flow of Funds and Annual Municipal Budget

30.1. Transfer to ONE JIB as Part of Budget Process

30.1.1. On an annual basis, as part of the Municipality's budget process, the Municipality shall identify the amount, if any, of Long-Term Funds that it holds. Any Long-Term Funds not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

30.2. Transfer to Municipality as Part of Budget Process

30.2.1. On an annual basis, as part of the Municipality's budget process, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Municipality from the Long-Term Funds then under the control and management of ONE JIB for the Municipality's short-term purposes. Such amount shall be deemed to be Short-Term Funds and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Treasurer.

30.3. Flow of Funds Otherwise than through the Budget Process

30.3.1. Surplus Funds

30.3.1.1. The Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. Any amounts deemed to be surplus by the Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

30.3.2. Contingencies

30.3.2.1. The Treasurer is authorized, from time to time after the approval of the Municipality's budget, to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year. Provided, however, that the aggregate of the amounts to be returned to the Municipality under this section during the year shall not exceed 25% of the Long-Term Funds under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted Long-Term Funds). In determining the Budgeted Long-Term Funds for purposes of calculating the 25% limit, any Long-Term Funds to be transferred to the control and management of ONE JIB in

Name: Investment Policy	Policy Number: FI-009-2019
-----------------------------------	--------------------------------------

accordance with that year's budget pursuant to section 30.1 shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to section 30.2 shall be excluded.

30.3.2.2. In the event that expenditures for unexpected contingencies exceed 25% of the Budgeted Long-Term Funds, ONE JIB may be directed to return any amounts under its control and management by motion of the Council of the Municipality.

31. **Valuation of Investments**

31.1. Investments shall be valued at cost and at fair market value according to the values provided by the Custodian. For the investment of Long-Term Funds, fair market values of unitized vehicles shall be valued according to the unit values published daily by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

32. **Voting Rights**

32.1. Where External Portfolio Managers have been appointed, such External Portfolio Managers may assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time.

33. **Internal Controls**

33.1. The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

34. **Custodians**

34.1. All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Funds, the Custodian shall be acceptable to ONE Investment. For Short-Term Funds the Custodian shall be acceptable to ONE Investment, if ONE Investment is administering the investment of the Municipality's Short-Term Funds, and to the Treasurer.

Name: Investment Policy	Policy Number: FI-009-2019
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35. Reporting

35.1. Short-Term Funds

35.1.1. For the investment of Short-Term Funds, the Treasurer shall report at least annually to Council and shall include the following information:

35.1.1.1. A listing of investments, with market value, held at the end of the reporting period;

35.1.1.2. A statement about the performance of the investment portfolio during the reporting period;

35.1.1.3. A statement as to whether or not, in their opinion, all investments were made in accordance with this IPS;

35.1.1.4. A record of the date of each transaction; and

35.1.1.5. Such other information that Council may request or that the Treasurer may consider to be pertinent.

35.2. Long-Term Funds

35.2.1. The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Funds at least annually. Such report shall include the following:

35.2.1.1. Investment performance during the period covered by the report;

35.2.1.2. Asset mix of the total portfolio;

35.2.1.3. A listing of individual investments held at the end of the reporting period showing, where appropriate, their average term to maturity and yield relative to the benchmark, book value, market value, realized/unrealized gains/losses and actual income received;

35.2.1.4. Dates of all transactions including the purchase and sale prices;

35.2.1.5. A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and

35.2.1.6. Any other pertinent information in the opinion of the Treasurer.

35.3. All securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian, which shall provide monthly reporting showing all securities held, their book values, market values and all income received.

Name: Investment Policy	Policy Number: FI-009-2019
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APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

36. Revocation/Amendment of Previous Investment Policy

36.1. Upon coming into effect, this IPS supersedes previously approved investment policies of the Municipality. Specifically, Investment Policy FI-009-2012 is repealed as of the date this IPS comes into effect.

37. Modifications to the IPS

37.1. At least annually Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of Short-Term Funds and from ONE JIB with respect to the investment of Long-Term Funds.

37.2. Following the Council’s review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

37.3. At a minimum, the annual review will take into account:

37.3.1. the adequacy of funding for capital works;

37.3.2. the Municipality’s ability to reduce other spending;

37.3.3. flexibility of the timeframe to payout; and

37.3.4. sensitivity to loss.

38. Effective Date

38.1. This IPS is adopted by the Council of the Municipality and is effective [June 1, 2020]. The Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

Signed by:

Treasurer

Date

Name: Investment Policy	Policy Number: FI-009-2019
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SCHEDULE "A"

Third Party Trust Funds

1. The Pines Residents Trust Funds.

Designated Funds

2. Social housing capital reserves of a non-profit housing corporation which are to be invested in the Housing Services Corporation's pooled capital reserve funds managed by Encasa.