

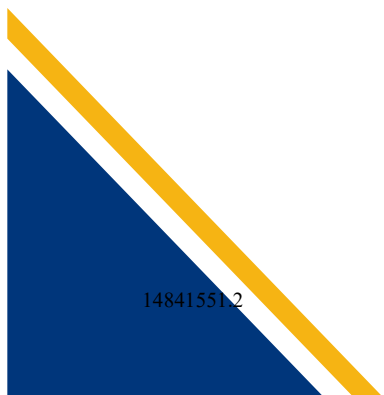


District of Muskoka
(District of Muskoka)

Investment Plan

Date: July 2, 2020

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1. Definitions

(Note that terms and definitions used in this Investment Plan have the same meaning as those defined in the Investment Policy Statement)

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

Agency Agreement: means the Agency Agreement dated May 31, 1999 as amended and restated on March 1, 2010, between CHUMS and LAS as Agent and each Eligible Investor (as defined therein) under which such Eligible Investor participates in the ONE Legal List Investment Program, as amended, supplemented or replaced from time to time.

Asset Allocation (Asset Mix): means the proportion of each asset class in a portfolio or allocation.

Asset Class: means 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: 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"). 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;

HISA: means the ONE High Interest Savings Account. This is an investment product created by ONE Investment that offers competitive interest rates on daily balances. It functions in a similar way as a bank account in that it pays interest and funds can be withdrawn on demand without triggering investment gains or losses.

In-Kind: means assets/securities instead of cash. In certain cases, municipalities may transfer securities to ONE JIB that reflect a portion of their MNRI instead of remitting only cash to ONE JIB. As these securities mature ONE JIB would invest the proceeds into the investment Outcomes specified in the Investment Plan.

Investment Policy Statement (IPS): means the investment policy adopted by Council and updated annually. It describes Muskoka's money that it requires immediately (Short-Term Funds) and its

money that it does not require immediately (Long-Term Funds), and sets out, among other things, Muskoka's investment objectives and risk tolerances.

Long-Term Funds: means money not required immediately (MNRI) by Muskoka.

Municipal Client Questionnaire: means 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.

Muskoka Debentures: means debentures issued by the District that are not secured by collateral and are backed by the general creditworthiness of the issuer. The District sometimes will repurchase some of its outstanding debentures that the District issued in previous years opportunistically. These debentures are held until maturity. Repurchased District debentures are considered MNRI if their remaining term to maturity exceeds eighteen months.

ONE Investment: means a not-for-profit organization that will serve as an agent of ONE JIB to operationalize the investment activities of ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): means the joint board established by certain founding municipalities as a municipal services board under section 202 of the Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for the District of Muskoka, 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 July 2, 2020, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the District's Long-Term Funds.

ONE Legal List Investment Program: means the program for joint municipal investment in which municipalities and other eligible investors invest under the Agency Agreement.

ONE Prudent Investment Program: means the program for municipal investment in which a municipality has appointed ONE JIB as such municipality's Joint Investment Board and has entered into the ONE JIB Agreement

Outcome: means in the context of the Investment Plan the same thing as 'solutions'. Investment outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each municipal investor are intended to reflect the needs and circumstances of the municipality.

Prudent Investor Standard: means the standard requiring 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 the District's Long-Term Funds under control of ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

Short-Term Funds: means money that is required immediately (MRI) by a municipality. Muskoka's IPS defines MRI as funds that are to be used to meet financial obligations within the next eighteen (18) month period.

2. Purpose of Investment Plan

As required under the Act's prudent investor regime, this Investment Plan (Plan) establishes how ONE JIB will invest Muskoka's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with the Muskoka's IPS adopted by Council on March 25, 2020 and is based on the information in the Municipal Client Questionnaire dated April 17, 2020. It was presented to ONE JIB at the May 20, 2020 meeting in Report # 20-011 – Investment Outcomes. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Muskoka.

At least annually, following Council's review of its IPS, ONE JIB shall review this Plan and update it as needed.

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 reviews to monitor compliance with the Act, the Regulation and Muskoka's IPS.

This Plan is dependent on clear communication between Muskoka, ONE JIB and ONE Investment regarding Muskoka's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs an MCQ as part of its annual review. It is Muskoka's responsibility to update the MCQ on a timely basis and to ensure that ONE Investment is aware of any needs that are not addressed in the MCQ 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 Muskoka. The process for communicating changes in the MCQ, IPS and other issues is set out in Appendix A. The process for moving funds in or 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 by ONE Investment's custodian, with the exception of the Muskoka Debentures repurchased by the District. Additionally, securities In-Kind will be under the control and management of ONE JIB but may be held for safekeeping by a custodian acceptable to ONE JIB.

5. Investment Goals and Objectives

Returns on investments have an impact on Muskoka’s revenues, and therefore a longer-term impact on future years’ budgets and are intended to 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 Muskoka’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;
- b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available to spend as/if needed; and,
- c. Funding target date projects, where Muskoka has an obligation for a specific project at a specific time.

Muskoka has identified the following details in Table 1 of its investment objectives for its MNRI according to the classification scheme initially developed for ONE JIB.

Table 1 - Outcomes as Disclosed in Muskoka’s IPS

Investment Outcome	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
Stable Return	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

Muskoka’s investment needs described in its IPS provide Council’s guidance to ONE JIB in determining investment allocations. Additional context from the MCQ and dialogue with the

Treasurer were used to interpret the details in Table 1. This informs ONE JIB about Muskoka’s current goals, objectives, circumstances, and risk tolerance, and helps direct how investment allocations will be determined.

Once ONE JIB was legally constituted and able to consider the Outcomes Framework, the framework was refined and approved on May 20, 2020 (see ONE JIB Report #20-011). The approved Outcomes Framework differs somewhat from the Outcome mapping in Table 1 that was presented to Council. This Plan has interpreted the goals and objectives as disclosed by the District within the context of the Outcome mapping in Table 2 below. The allocation of the District’s MNRI within this framework in Table 2 is consistent with the details as disclosed in the District’s IPS and MCQ.

Table 2 - ONE JIB Outcome Framework

Outcome Category	Outcome Strategy	Objective	Risk Tolerance, Liquidity	Investment Horizon
Cash	Cash	Preservation of capital	Low risk; high liquidity	< 3 years
Stable Return	Stable Return	Income generation: To generate returns to fund recurring needs	Moderate risk with emphasis on growth and stable returns, regular liquidity	> 5 years (Perpetual)
Contingency	Contingency	Contributions for unexpected and infrequent events	Higher risk, emphasis on longer-term capital growth with some liquidity	> 5 years (Perpetual)
	Asset mgt reserves	Contributions to generate returns to fund asset management reserves	Higher risk, emphasis on longer-term capital growth; low liquidity	> 10 years (Perpetual)
Target Date	Target Date 3-5 yrs	Preservation of capital	Low risk; high liquidity	3 - 5 years
	Target Date 5-10 yrs	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Moderate risk, liquid	5 - 10 years
	Target Date 10+ yrs	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Higher risk, emphasis on long term inflation-adjusted growth	> 10 years

While individually Muskoka’s accounts/reserves are expected to require liquidity, collectively they provide Muskoka with 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. However, at present all ONE Investment funds are designed to be highly liquid. Less liquid investments may become available through ONE Investment at a later date.

Muskoka has significant spending needs, approximately \$33 million, through 2022, for a pre-planned capital expenditure. The project is being funded without significantly drawing down MNRI. Muskoka has retained sufficient balances in its MRI to fund its near-term capital projects. This should allow the bulk of the MNRI to be invested for long-term time horizons.

6. Investment Allocations

6.1 Asset Allocations

Asset allocations for each Outcome are expected to be relatively stable until the next annual review. Any changes to the amounts in each account must be communicated to ONE JIB formally as outlined in Appendix A.

The goals, objectives, constraints and circumstances of Muskoka are taken into consideration when assigning asset allocations for Muskoka using ONE Investment's Outcome-based approach. These decisions are informed by the requirement to comply with the Prudent Investor Standard as defined in the Act. The Prudent Investor 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 Muskoka'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.

In drafting this Plan, these current economic conditions and the possible effect on inflation/deflation have been considered as follows:

- On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic. Subsequently, the Province of Ontario declared a state of emergency on March 17, 2020. The financial impact of these events on municipalities is still to be determined. Examples could include increased cash flow requirements, decreased revenue or pressure for lower property tax rate increases.
- The COVID-19 pandemic has the potential to change the economic outlook and the capital markets outlook in ways that cannot be foreseen. This should not directly affect the risk profile of Muskoka or the implementation of this Plan.
- Prior to the COVID-19 pandemic, economic conditions have been characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. The global economy appeared to be in the later stage of an economic expansion with significant potential for deceleration of economic growth. The COVID-19 pandemic has clouded the outlook.
- The portions of MNRI that will be needed in the shorter term will be invested in investment strategies with very low risk and high liquidity (such as cash and short-term fixed income) given the economic uncertainty in the near-term.
- The portions of MNRI that are not expected to be needed over the short-term will be invested to take advantage of a longer-term investment horizon, when the current economic uncertainties will likely have subsided; the use of diversification to reduce volatility and investments in securities with a potential for higher returns such as equities and bonds is expected to achieve returns that outpace inflation.

Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Chief Investment Officer considers appropriate for Muskoka. As the portfolios

will be broadly diversified, these potential returns are expected to be achieved while still maintaining an appropriate risk profile.

6.2 Account Structure

The amounts of MNRI, as disclosed in the District’s MCQ dated April 17, 2020, have been allocated to investment Outcome categories to provide guidance to ONE JIB in investing these monies.

In summary, the total allocation to each Outcome is shown in Table 3:

Table 3 - Muskoka’s Investment Outcomes

Outcome	Allocation (\$)	Allocation Weight (%)
Cash	1,929,952	1.54
Contingency	5,259,979	4.19
Target Date 3-5 yrs	46,248,480	36.85
Target Date 5-10 yrs	72,080,913	57.43
Total	125,519,324	100.00

Mixes of Prudent Investor Program funds and products appropriate for Muskoka’s circumstances will be used for each Outcome. Descriptions of these Outcomes and the asset allocations for each solution are shown in Appendix B.

The process of moving from the current investments to the target weights, both noted below, is outlined in the Transition Plan in Appendix D.

6.3 Cash Outcome

Cash allocations are appropriate for relatively short-term funding needs of the District. If the funds are anticipated to be drawn down within three years it is most appropriate to emphasize capital preservation. Longer term investments are able to assume more risk and potentially absorb capital losses as there is ample time for the investment value to recover. Monies in the Cash Outcome will be invested in the ONE HISA, which has a very remote possibility for loss of capital. Muskoka has approximately \$1.9 million that will be allocated to the Cash Outcome. Details of the allocation of the Cash Outcome are shown in Table 4. Further detail about the Cash Outcome allocations can also be found in Appendix B. Monies in the Cash Outcome are expected to be reclassified as MRI over the next few years. All interest earned in the Cash Outcome will be reinvested in this Outcome.

Table 4 - Table A: Cash Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Cash	100	100	100	
ONE HISA		100		Bank of Canada 1 Year GIC Rate
Total		100		

Cash Outcome returns and risk are discussed in section 6.6.

Benchmark: Bank of Canada 1 Year GIC Rate. There is no active management involved with HISA (High Interest Savings Account) balances.

6.4 Contingency Outcome

Muskoka will need to generate long-term growth for funds in the Contingency Outcome. Contingency funds may be drawn upon to meet unexpected needs and infrequent events. Emphasis on the preservation of purchasing power is a key consideration, and therefore growth in the value of Muskoka’s investments is emphasized. Details of the allocation of the Contingency Outcome are shown in Table 5. Further detail about the Contingency Outcome allocations can also be found in Appendix B. These funds will be invested according to the asset mix set out in Table 5 and will be rebalanced to ensure a consistent risk profile – rebalancing is explained in more detail in section 9. All income will be reinvested to facilitate continued long-term growth in the funds until they are needed. The initial allocation to the Contingency Outcome will be approximately \$5.3 million.

Table 5 - Contingency Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	55	60	65	
ONE Canadian Equity Fund		18		S&P/TSX Composite Index
ONE Global Equity Fund		42		MSCI ACWI (All Country World Index)
Fixed Income	35	40	45	
ONE Canadian Government Bond Fund		6		<i>blended benchmark</i> - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		<i>blended benchmark</i> - Canadian Corporate Bonds
ONE Global Bond Fund		28		Bloomberg Barclays Multiverse Index
Total		100		

Contingency Outcome returns and risk are discussed in section 6.6.

Benchmark: 18% x S&P/TSX Composite Total Return Index + 42% x MSCI ACWI + 6% x *blended benchmark* - Canadian Government Bonds +6% x *blended benchmark* - Canadian Corporate Bonds + 28% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.5 Target Date Outcome

Target Date Outcomes will be managed with the objective of providing for the return of principal, income and capital gains at a target date range in the future. Most of the District’s MNRI is intended to be invested in Target Date Outcomes, and most of the target date money is long-term in nature. All income will be reinvested.

The largest portion of funds in coming years will be to finance \$33 million pre-planned capital expenditures for a capital project in respect of which the District expects work to be completed in 2023. The other large near-term spending item relates to changes in the Debt Reduction Reserve fund, which is used for internal funding purposes. This reserve will be drawn down by almost \$15 million in the next 2 years. As these large funding needs are short-term in nature, the Treasurer has retained balances in MRI to fund the near-term expenditures. This means that MNRI will not be affected by these large spending needs. MNRI is anticipated to start increasing significantly beginning in 2023.

A relatively small portion of MNRI will be invested in the Cash Outcome to fund some of the nearer term commitments required from MNRI. Additional funding will be needed within 5 years for some of the projects noted above. Approximately \$46.2 million will be invested in the Target Date 3-5 Year Outcome for these purposes, which the District can draw down as needed. Table 5 details how the Target Date 3-5 Year Outcome will be invested. Further detail about the Target Date Outcomes can found in Appendix B.

Table 6 - Target Date 3-5 Year Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Cash	17	20	23	
ONE HISA		20		Bank of Canada 1 Year GIC Rate
Equity	8	10	12	
ONE Canadian Equity Fund		3		S&P/TSX Composite Index
ONE Global Equity Fund		7		MSCI ACWI (All Country World Index)
Fixed Income	66	70	74	
ONE Canadian Government Bond Fund		10.5		<i>blended benchmark</i> - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		10.5		<i>blended benchmark</i> - Canadian Corporate Bonds
ONE Global Bond Fund		49		Bloomberg Barclays Multiverse Index
Total		100		

Target Date 3 to 5 Year Outcome returns and risk are discussed in section 6.6.
 Benchmark: 20% Bank of Canada 1 Year GIC Rate + 3% x S&P/TSX Composite Total Return Index + 7% x MSCI ACWI + 10.5% x *blended benchmark* - Canadian Government Bonds +10.5% x *blended benchmark* - Canadian Corporate Bonds + 49% x Bloomberg Barclays Multiverse Index.
 The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.
 The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

A larger allocation of about \$72.1 million will be assigned to the Target Date 5-10 Year Outcome to reflect the reserves with longer time horizons. The majority of funds assigned to this Outcome are program and development charge reserve funds for capital projects (e.g., roads, water, wastewater infrastructure) and debt reduction in the 5 to 10-year time horizon. Amounts allocated to the Target Date 5–10 Year Outcomes reflect the intended time horizon and risk profile for relevant reserve accounts, where near term liquidity is less relevant. The Target Date 5–10 Year Outcome has a 50% allocation to equities. As monies invested in this Outcome typically consist of reserves for future capital projects, growth in the value of investments is important to help offset the impact of inflation on project costs. Table 7 details how the Target Date 5-10 Year Outcome will be invested.

Table 7 – Target Date 5-10 Year Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	45	50	55	
ONE Canadian Equity Fund		15		S&P/TSX Composite Index
ONE Global Equity Fund		35		MSCI ACWI (All Country World Index)
Fixed Income	45	50	55	
ONE Canadian Government Bond Fund		7.5		<i>blended benchmark</i> - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		7.5		<i>blended benchmark</i> - Canadian Corporate Bonds
ONE Global Bond Fund		35		Bloomberg Barclays Multiverse Index
Total		100		

Target Date 5 to 10 Year Outcome returns and risk are discussed in section 6.6.

Benchmark: 15% x S&P/TSX Composite Total Return Index + 35% x MSCI ACWI + 7.5% x *blended benchmark* - Canadian Government Bonds + 7.5% x *blended benchmark* - Canadian Corporate Bonds + 35% x Bloomberg Barclays Multiverse Index.

The *blended benchmark* for Canadian Government Bonds is: 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index.

The *blended benchmark* for Canadian Corporate Bonds is 48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.

Further discussion on benchmarks is included in Appendix C

6.6 Projected Investment Returns

The prospect for improved returns with acceptable levels of investment risk is a key consideration for any municipality investing under the Prudent Investor Standard. Table 8 below provides a projection of the annual returns for each of Muskoka’s 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. They are presented for information purposes only, and actual investment results may differ materially. The source of returns (recurring income vs capital gains) is not a factor that ONE JIB actively considers for these mandates. It is largely not relevant to municipal investors because they are not subject to taxes on investment returns.

Table 8 – Projected Annual Returns

Outcome	Expected Return	Allocation Weight (%)
Cash	0.9%	1.5
Contingency	4.9%	4.2
Target Date 3-5 yrs	3.0%	36.8
Target Date 5-10 yrs	4.6%	57.4
Overall	4.0%	100.00

* The projected overall Expected Return of the asset allocations for ONE Investment prudent investor offerings was evaluated by an external consultant, Aon. Their analysis includes a proprietary return measure that projects average annual expected returns via a Monte Carlo analysis. Actual returns may differ.

The return profile of MNRI projected above is biased downward due to the large balances that are earmarked to be used to fund projects over the next five years, which limits the ability of ONE JIB to invest these monies for long-term growth. As the near term target date balances are drawn down, the

overall investment time horizon of MNRI balances will increase and a higher rate of return will likely be achieved as the portfolio transitions to a more growth-oriented position.

6.7 Other Accounts

The District has no other accounts ONE JIB must consider.

7. Constraints

Besides those listed below, 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 may 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 not be used for speculative purposes except where the External Portfolio Managers use it in the underlying fund. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset (e.g., for currency or other hedging, to change portfolio duration or in covered call strategies).

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and investment pools (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 rigorous 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 by ONE Investment. Each investment Outcome will have target weights assigned for each holding, which collectively represent the intended asset mix for the Outcome. Minimum and maximum weights will also be assigned for asset classes, and these weights will guide the rebalancing process. Should the weight deviate outside the minimum or maximum weights noted in Appendix B, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions will be completed as soon as reasonably viable, taking into account the investment objectives. Cash inflows/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.

ONE Investment will rebalance all accounts to target weights twice annually based on fixed dates: April 15 and October 15 (or the following business day). Accounts that are within a 2% threshold of the intended targets will not be rebalanced.

10. Accommodating Cashflow Needs

This Plan is intended to be dynamic and responsive to changing. Once informed of changing needs in accordance with the ONE JIB Agreement, ONE JIB may need to revise allocations, deploy incoming monies or sell units of the investment pools accordingly. Income from investments will be automatically reinvested into the investment Outcomes where appropriate. Muskoka's cashflow needs are expected to be financed with the sale of units of the investment pools. Any fee discounts that apply to Muskoka are intended to be reinvested into the Cash Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

The District issues debentures which are sold to the public. From time to time the Treasurer may repurchase some of these debentures when pricing is attractive. These repurchased debentures will not be immediately retired and will instead be held to the maturity date of the debenture. These Muskoka Debentures are part of Muskoka's MNRI if the remaining term to maturity exceeds 18 months. Table 9 identifies Muskoka Debentures that constitutes MNRI. They are subject to a restriction set out in Muskoka's IPS such that ONE JIB has agreed not to dispose of or deal with that investment without Muskoka's consent. Holdings in repurchased Muskoka Debentures will not impact or influence the investment allocation of other MNRI discussed in this Plan.

Table 9 – Muskoka Debenture Holdings (MNRI)

Issue	Maturity	Face value
Muskoka 4.75%	May-22	\$ 325,000
Muskoka 4.8%	May-23	78,000
Muskoka 4.8%	May-23	11,000
Muskoka 4.9%	May-24	46,000
Muskoka 4.95%	May-25	211,000
Muskoka 5.0%	May-26	95,000
Muskoka 5.0%	May-26	10,000
Muskoka 5.05%	May-27	95,000
Muskoka 5.05%	May-27	50,000
Muskoka 5.05%	May-27	150,000
Muskoka 5.05%	May-28	185,000
Muskoka 5.05%	May-28	175,000
Muskoka 5.1 %	May-29	400,000
Muskoka 5.1 %	May-30	31,000
Muskoka 5.1 %	May-30	106,000
Muskoka 2.95%	Nov-30	100,000
Muskoka 3.00%	Nov-31	100,000
Muskoka 3.05%	Nov-32	100,000
Total		<u>\$ 2,268,000</u>

11.2 Transitional Investments

MNRI that Muskoka will transfer the control and management of ONE JIB will consist of available cash and the proceeds from the liquidation of Muskoka’s ONE Legal List Investment Program products. Muskoka will liquidate \$29 million in bonds to raise cash for this purpose.

Muskoka plans to sell some or all of its ONE Legal List Investment Program products. The proceeds of sale will be given to ONE JIB as MNRI. More information on the transition planning is provided in Appendix D.

12. Comments by Chief Investment Officer

Certain qualitative factors were considered in assigning the investment allocations. Muskoka’s reserve fund balances over the next few years will be affected by ongoing capital expenditures. Balances are held as MRI to fund these projects, so the large near-term spending will not impact the balances in MNRI. Muskoka has significant spending needs in the next two to three years and MNRI would start rising thereafter. This offers Muskoka flexibility to invest the bulk of its MNRI for the long-term. If unforeseen circumstances require MNRI to be accessed all investments are highly liquid, giving the District full flexibility to access funds as needed.

One of the investment considerations for Muskoka is to achieve growth with above-inflation returns. Due to the longer-term time horizon involved for most of Muskoka's accounts and the need for returns to exceed inflation, allocation to equities is appropriate

Muskoka has cashflow flexibility in coming years and there is a significant portion of MNRI that will not be needed in the next five years. Aside from the funding for the specified near-term needs, Muskoka has the flexibility to assume a moderate risk profile for the consolidated portfolio with investment allocations reflecting the relatively long time horizon associated with Muskoka's MNRI. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at 34.9%, which is an appropriate level for Muskoka. Equity allocations will tend to increase as money is drawn down from the Cash Outcome and Target Date 3-5 Year Outcome over the next few years.

Appendix A: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Muskoka'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;
- Revisions in MNRI;
- Desired end use of funds, especially if that is likely to affect the investment approach; and
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the MCQ on the ONE Investment website. Section 5.01 (c) of the ONE JIB Agreement requires that Participating Municipalities provide written notice to the Board Secretary of ONE JIB of any amendment or modification to its IPS. Written communication should be directed to the attention of the Chief Investment Officer at ONE@oneinvestment.ca and the ONE JIB Secretary at dkelly@oneinvestment.ca. They are considered received when ONE Investment provides a formal return email acknowledgement.

Appendix B: Description of ONE Investment Pools, Products and Outcomes

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](#).

ONE Investment Pool or Product	External Portfolio Manager	Mandate	Asset Class
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Cash
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity focused on Canadian Government bonds	Canadian short-term Fixed Income
ONE Canadian Corporate Bond Fund	MFS	Primarily in Canadian Corporate Bonds	Canadian Fixed Income
ONE Global Bond Fund	Manulife Investment Management	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	Mawer Investment Management	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian Capital	Canadian Equity with conservative investment approach	Canadian Equities

Investment Outcomes

The asset allocations for ONE Investment's Outcomes are detailed in the tables below. Rebalancing will be managed for these asset allocations as explained in this Plan. As asset mixes drift away from their intended target and converge on either the minimum or maximum ranges noted below, ONE Investment will rebalance the holdings to restore allocations to the intended asset mix. The Outcomes will also be rebalanced twice annually, as required, to ensure the allocations do not drift materially away from the intended targets. Note that these allocations target a maximum of 70% foreign exposure, and Canadian Bond exposure targets equal allocation to the ONE Canadian Government Bond Fund and the ONE Canadian Corporate Bond Fund.

<u>Cash Outcome</u>	% Weight		
	Min	Target	Max
ONE HISA	na	100	na
Total Cash		100	

<u>Stable Return Outcome</u>	% Weight			Duration (Years)
	Min	Target	Max	
ONE HISA	8	10	12	
Total Cash	8	10	12	
ONE Canadian Equity Fund		9		
ONE Global Equity Fund		21		
Total Equity	26	30	34	
ONE Canadian Government Bond Fund		9		1.6 – 3.6
ONE Canadian Corporate Bond Fund		9		3.0 – 6.9
ONE Global Bond Fund		42		2.0 – 6.0
Total Fixed Income	55	60	65	
Total Allocated		100		

<u>Contingency Outcome</u>	% Weight			Duration (Years)
	Min	Target	Max	
ONE HISA				
Total Cash		0		
ONE Canadian Equity Fund		18		
ONE Global Equity Fund		42		
Total Equity	55	60	65	
ONE Canadian Government Bond Fund		6		1.6 – 3.6
ONE Canadian Corporate Bond Fund		6		3.0 – 6.9
ONE Global Bond Fund		28		2.0 – 6.0
Total Fixed Income	35	40	45	
Total Allocated		100		

<u>Asset Management Reserve Outcome</u>	% Weight			Duration (Years)
	Min	Target	Max	
ONE HISA				
Total Cash		0		
ONE Canadian Equity Fund		27		
ONE Global Equity Fund		63		
Total Equity	88	90	92	
ONE Canadian Government Bond Fund		1.5		1.6 – 3.6
ONE Canadian Corporate Bond Fund		1.5		3.0 – 6.9
ONE Global Bond Fund		7		2.0 – 6.0
Total Fixed Income	8	10	12	
Total Allocated		100		

Target Date Outcomes:

Investments with target dates will be managed to reduce risk as the target date approaches. As time passes and the spending needs get closer, it is appropriate to reduce the amount of risk so that there is greater certainty that the funds will be available as needed. This means that reserves, reserve accounts and other balances that are assigned to target date allocation will be reassigned to a nearer dated Target Date Outcome as time passes. In this way as the spending needs grows nearer, the associated investment allocations will migrate to a lower risk Outcome.

Target Date Outcomes	Target Date 3- 5 Years			Target Date 5-10 Years			Target Date 10+ Years		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE HISA		20			0			0	
Total Cash	17	20	23		0			0	
ONE Canadian Equity Fund		3			15			22.5	
ONE Global Equity Fund		7			35			52.5	
Total Equity	8	10	12	45	50	55	71	75	79
ONE Canadian Government Bond Fund		10.5			7.5			3.75	
ONE Canadian Corporate Bond Fund		10.5			7.5			3.75	
ONE Global Bond Fund		49			35			17.5	
Total Fixed Income	66	70	74	45	50	55	21	25	29
Total Allocated		100			100			100	

Appendix C: Performance Benchmarks for ONE Investment Funds

- The table below details the benchmarks to be used for the performance evaluation of the ONE Investment Pools.
- Blended benchmarks for the prudent investor Outcomes will be used in proportion to their target asset allocation weights.

ONE HISA	Bank of Canada 1 Year GIC Rate
ONE Canadian Equity Fund*	S&P/TSX Composite Total Return Index
ONE Global Equity Fund	MSCI ACWI (net)
ONE Canadian Government Bond Fund*	95% the DEX All Government Short Bond Index and 5% the DEX 91 Day T-Bill Index
ONE Canadian Corporate Bond Fund*	48% the FTSE TMX Canada All Government Bond Index, 40% the FTSE TMX Canada Short Term Corporate A Index, 10% FTSE TMX Canada Universe Corporate AAA/AA Index and 2% the FTSE TMX Canada 91 Day T-Bill Index.
ONE Global Bond Fund	Bloomberg Barclays Multiverse Index

* Note 1: These funds have exposures that broadly parallel ONE Investment Legal List Program products and use the same performance benchmarks.

Appendix D: Transition Plan

Notwithstanding any provisions of this Plan, ONE JIB shall have the discretion to transition the District's MNRI as constituted on the Prudent Effective Date to the target allocations set out in this Plan in such manner and within such time as ONE JIB considers to be prudent and reasonable in the circumstances. For greater certainty, it shall not be a contravention of this Plan if the actual allocations for the District's MNRI are at variance from the target allocations set out herein if the reason for such variance is that the transition plan has not been completed.

At the writing of this Plan the details of Muskoka's holdings were as follows:

<u>Muskoka's ONE Investment Holdings (As at June 5, 2020)</u>	<u>Amount (\$)</u>
ONE Canadian Government Bond Portfolio	42,449,881
ONE Canadian Corporate Bond Portfolio	16,377,433
ONE Canadian Equity Portfolio	34,112,036
ONE Investment HISA	<u>34,692,663</u>
Total – ONE Investment	<u><u>127,632,014</u></u>

The objective is to move to the below allocations as quickly and cost efficiently as practicable. The settlement cycle for ONE Legal List Investment Program products and HISA is very short so no special considerations will be needed to accommodate the transfer of assets to ONE JIB. Muskoka also holds \$29 million in bonds that may be liquidated in which case the proceeds will be given to ONE JIB as MNRI.

ONE Investment will provide forms to the District's Treasurer to facilitate the liquidation of ONE Legal List Investment Program products and HISA. These forms will be used to provide instructions in advance of July 2, 2020, and these instructions will be acted on in conjunction with trade instructions from ONE JIB. This is intended to streamline the transition process so all trading instructions can be planned in advance and coordinated so the District's money is deployed into the ONE Prudent Investment Program offerings seamlessly. The trading instructions and forms for this transition process will differ from the routine process that municipalities used to liquidate ONE Legal List Investment Program holdings.

Below is a summary of the intended ONE Investment allocations. Table C-1 shows the allocations to the ONE Investment Outcomes while Table C-2 reflects the consolidated allocations by funds that is implied

Table C- 1- Muskoka's Outcomes

Outcome	Allocation (\$)	Allocation Weight (%)
Cash	1,929,952	1.5
Contingency	5,259,979	4.2
Target Date 3-5 yrs	46,248,480	36.8
Target Date 5-10 yrs	72,080,913	57.4
Total	125,519,324	100.0

Table C- 2 Muskoka's Consolidated Holdings

ONE Investment Funds & HISA	Total Invested (\$)	Portfolio Weight (%)
ONE HISA	11,179,648	8.9
ONE Canadian Equity Fund	13,146,388	10.5
ONE Global Equity Fund	30,674,904	24.4
ONE Canadian Government Bond Fund	10,577,758	8.4
ONE Canadian Corporate Bond Fund	10,577,758	8.4
ONE Global Bond Fund	49,362,869	39.3
Total	125,519,324	100.0

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this Plan, subject to the rebalancing provisions of section 9, until instructed otherwise. The MNRI will be invested in the underlying ONE Investment Pools as soon as reasonably practical after the July 2, 2020 effective date.

Appendix E: Transferring Funds

These procedures will be provided at a later date.

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