



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer
Date: July 14, 2020
Re: Overview of Global Equity Mandate
Report: 20-021

1. RECOMMENDATIONS

It is recommended that:

The Board receive this report for information.

2. SUMMARY

Mawer Investment Management Ltd. (Mawer) was selected to provide exposure to the global equity market for ONE JIB.

3. BACKGROUND

An extensive search was conducted to engage an investment manager to provide exposure to the global equity market

The Investment Advisory Committee (IAC) provided advice to ONE Investment on the choice of a global equity fund manager.

On March 14, 2019 manager selection interviews were conducted. The selection of a manager for the global equity asset class was a key decision for ONE's Prudent Investment Program offering, as it provides a new investment exposure that offers municipal investors the potential for better returns and broader diversification. The selection of the mandate and the investment manager were key considerations when ONE was designing the Prudent Investment Program offering.

4. ANALYSIS

Exposure to the global equity market provides risk diversification opportunities

Global equities offer better growth and broader diversification benefits than Canadian equities.

The manager selection process focused on three key attributes:

- (1) Exposure to emerging markets (to provide improved growth potential);
- (2) Broad diversification; and,
- (3) Strong downside protection - an investment approach that tends to perform well in weak markets.

These attributes are well-suited to the investment preferences and risk profile of the municipal

investors.

Mawer's investment approach focuses on value and growth with an extensive bottom-up selection process

Mawer was selected as the manager for the ONE Global Equity Fund based on the fit between this approach and the needs of ONE JIB's prudent investor funds offering.

Mawer is a 'bottom up manager' that uses fundamental analysis to select equities. Their investment process can be simplified with the following phrase: "good business, good management and good price." They are best characterized as a 'quality' investor where value and growth are both investment considerations. They do thorough analysis and spend roughly 80% of their time on intensive company analysis. This includes management interviews, a review of financials, a review of Environmental, Social and Governance (ESG) risk factors, and a forensic accounting review. Mawer is very proactive about talking to management and suppliers at prospective investment targets. They refresh their analysis at least annually.

Mawer can hold up to 20% of the portfolio in emerging market equities. They do not look solely at where a company is registered or where its head office is but will also review the company's geographic sources of revenues.

Furthermore, in the manager interviews they demonstrated that social responsibility and doing 'the right thing' influences their investment choices. They require an ESG review prior to investing in any company and embrace good environmental policies. This feature is attractive to municipal investors. In September 2019, Mawer became a United Nations-supported Principles for Responsible Investing (UNPRI) signatory; UNPRI is the world's leading proponent of responsible investing.

Mawer adheres to a standardized, methodological approach

Mawer has a very structured process that includes qualitative and quantitative analysis for determining companies to hold in the portfolio. Individual position sizes is capped at 6% and otherwise determined by the relative attractiveness of the investment opportunity according to their comprehensive analysis. Industry weight is capped at 20%. The portfolio is formally reviewed on a quarterly basis to ensure appropriate positions. Broadly speaking, they demonstrated a clear, systematic, and thorough investment approach, which tends to perform well when markets are weakest. Their ability to clearly explain their strategy and approach instills confidence. Mawer's global equity fund is appropriate for the Prudent Investment Program offering, and their approach will resonate with municipal investors.

Drafted by: Keith Taylor, Chief Investment Officer

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