

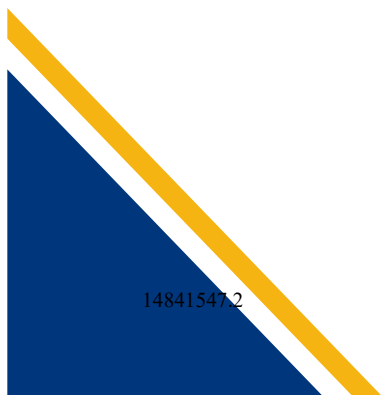


Town of Huntsville
(Town of Huntsville)

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 Huntsville's money that it requires immediately (Short-Term Funds) and

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

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

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.

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 Huntsville, 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 Huntsville'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 Huntsville'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. Huntsville's IPS defines MRI as funds that are to be used to meet financial obligations within a twenty-four (24) 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 Huntsville's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with Huntsville's IPS adopted by Council on December 17, 2019 and is based on the information in the Municipal Client Questionnaire (MCQ) dated May 28, 2020 attached as Supplementary Attachment (1) to this report. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Huntsville.

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 and the Regulation in addition to Huntsville's IPS.

This Plan is dependent on clear communication between Huntsville, ONE JIB and ONE Investment regarding Huntsville'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 the responsibility of Huntsville 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 Huntsville. 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

Except for Town-owned electricity assets, all investments under the control and management of ONE JIB shall be held for safekeeping by ONE Investment's custodian. 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 Huntsville'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 Huntsville’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 Huntsville has an obligation for a specific project at a specific time

Huntsville 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 Huntsville’s IPS

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk tolerance, emphasis on growth, liquid	Greater than 5 years
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Lower risk, liquid	18 months to 3 years
		Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
	Contributions to asset management reserves	Higher risk with emphasis on growth, liquid	Greater than 5 years

Huntsville’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 the ONE JIB about the Town’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 Town within the context of the Outcome mapping in Table 2 below. The allocation of the Town’s MNRI

within this framework in Table 2 is consistent with the details as disclosed in the Town’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 Huntsville’s accounts/reserves are expected to require liquidity, collectively they provide the Town 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.

The Town’s MNRI balances are not expected to remain stable and the Town expects to significantly draw down the balances through 2022 to improve municipal facilities and upgrade/expand the fleet (i.e. snow removal trucks). The Town anticipates that MNRI will start increasing thereafter. There is considerable uncertainty about the cost of upgrading the pool facilities. Therefore, the plan will highlight liquidity as a key consideration when building the investment allocations to accommodate for these nearer term spending needs.

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 the Town are taken into consideration when assigning asset allocations for the Town 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 the Town'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 the Town 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 the Town. 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 Huntsville's MCQ dated May 28, 2020, have been allocated into investment Outcome categories to provide guidance to ONE JIB when investing these monies.

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

Table 3 - Huntsville's Investment Outcomes

Outcome	Total Invested (\$)	Portfolio Weight (%)
Cash	2,000,000	25.0
Contingency	3,000,000	37.5
Target Date 3-5 yrs	2,000,000	25.0
Target Date 10+ Years	1,000,000	12.5
Total	8,000,000	100.0

Mixes of ONE Investment Prudent Investor Program funds and products appropriate for Huntsville's circumstances will be used for each Outcome. Descriptions of the ONE Investment Prudent Investor Program funds 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 Town. If the funds are anticipated to be drawn down within three years, it is most appropriate to invest these monies such that there is minimal potential for capital loss. Longer term investments are able to assume more risk and potentially absorb capital loss as there is ample time for investment growth to allow the investment value to recover. Monies in the Cash Outcome do not have this flexibility and will be invested in the ONE HISA which has a very remote possibility for loss of capital, which helps ensure the funds will be available when needed. Huntsville has approximately \$2 million that will be allocated to the Cash Outcome. Details of the allocation of the Cash Outcome are found 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. These monies will be utilized to fund near term projects including the Streetscape project which involves a redesigning and improvements of the Town's main street and downtown area. All interest earned in the Cash Outcome will be reinvested in this Outcome.

Table 4 - 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

Huntsville will need to generate long-term growth for funds within 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 the Town’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 assets until they are needed. The initial allocation to the Contingency Outcome will be \$ 3.0 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 and income and capital gains at a target date in the future. Some of the pre-planned capital expenditures currently have a reasonable amount of certainty to the actual cost today, other capital expenditures will continue to have some uncertainty until work is tendered. The MCQ identifies that 35% of MNRI will be spent in the next two to five year time frame, with the major portion of this spending occurring in or before 2023. Due to the anticipated significant drawdown over the next few years an allocation of \$2 million has been allocated to the Cash Outcome, as noted above, and an additional \$2 million of MNRI has been assigned to the Target Date 3-5 Year Outcome. These funds should provide sufficient liquidity for the Town to utilize on these large relatively near-term projects. Details of the allocation of the Target Date 3-5 Year Outcome are shown in Table 6 below. Due to the relatively short-term time horizon, the monies invested in the Target Date 3-5 Year Outcome will attempt to mitigate the potential for capital loss by investing primarily in fixed income and cash-like investments. This Outcome has a small allocation to equity investments to enhance the growth

potential. It is anticipated the entire balance will be drawn down in coming years to pay for planned expenditures.

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

The remainder of monies to be invested in Target Date Outcomes will be invested in the Target Date 10+ Year Outcome, to reflect reserves for longer term capital projects. This Target Date Outcome is intended to provide growth for monies invested, which will help preserve the purchasing power for monies invested and potentially allow longer term capital projects to be partially funded out of investment returns. The need for investment returns to at least match inflation is a key consideration for monies allocated to this Outcome. Details of the allocation of the Target Date 10+ Year Outcome are shown in Table 7. The emphasis on growth in investments means that this Target Date Outcome has a meaningful allocation to equities. More details about the Target Date Outcomes are detailed in Appendix B.

Table 7 - Target Date 10+ Year Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	71	75	79	
ONE Canadian Equity Fund		22.5		S&P/TSX Composite Index
ONE Global Equity Fund		52.5		MSCI ACWI (All Country World Index)
Fixed Income	21	25	29	
ONE Canadian Government Bond Fund		3.75		<i>blended benchmark</i> - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		3.75		<i>blended benchmark</i> - Canadian Corporate Bonds
ONE Global Bond Fund		17.5		Bloomberg Barclays Multiverse Index
Total		100		

Target Date 10+ Year Outcome returns and risk are discussed in section 6.6.
 Benchmark: 22.5% x S&P/TSX Composite Total Return Index + 52.5% x MSCI ACWI + 3.75% x *blended benchmark* - Canadian Government Bonds +3.75% x *blended benchmark* - Canadian Corporate Bonds + 17.5% 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 Huntsville’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%	25.0%
Contingency	4.9%	37.5%
Target Date 3-5 yrs	3.0%	25.0%
Target Date 10+ Years	5.3%	12.5%
Overall	3.5%	100.0%

* 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.

6.7 Other Accounts

The Town 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 using 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 needs. 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. Huntsville's cashflow needs are expected to be financed with the sale of units of the investment pools. Any fee discounts that apply to Huntsville 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

Huntsville's investment in Lakeland Holdings Inc., a LDC, has a strategic purpose beyond generating investment returns. While this investment is part of the responsibility of ONE JIB, it is subject to a restriction set out in the Town's IPS such that ONE JIB has agreed not to dispose of or deal with that investment without the Town's consent. Table 9 below describes the investment in Lakeland Holdings Inc..

Table 9 – Huntsville's LDC Holdings

Investment	Value of Investment (\$)
Lakeland Holdings Inc shares	11,749,000

11.2 Transitional Investments

MNRI that Huntsville will transfer to the control and management of to ONE JIB will consist of available cash and proceeds from the liquidation of the Town's ONE Investment Legal List Investment Program products.

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

12. Comments by Chief Investment Officer

Certain qualitative factors were considered in assigning the investment allocations. Huntsville has identified significant spending needs over the next few years. The need to pay for these identified expenses on near term time horizon means that the focus is on preservation of capital for such monies. \$2 Million of MNRI will be invested in the Cash Outcome to provide liquidity as needed within the next 3 years and an additional \$2 million in MNRI will be deployed into the Target Date 3-5 Year Outcome to provide additional funding for known near term spending needs in Huntsville.

Monies invested in the Contingency Outcome totalling \$3 million have more flexibility to assume risk due to the longer time horizon involved. Additionally, \$1 million will be deployed into the Target Date 10+ Year Outcome to fund long-term capital projects. Due to the long time horizon this Outcome will also be able to assume higher risk, and potentially achieve higher investment returns. After spending on the large near-term projects is completed, it is expected that the Town will have sufficient cashflow to start rebuilding balances in MNRI. At that point, with these major commitments completed, Huntsville's investments will be able to assume a longer time horizon and assume a higher level of overall risk. Until then, emphasis on liquidity and a relatively low risk allocation on MNRI will remain appropriate. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at about 34.4%, which is an appropriate level for the Town considering the shorter-term liquidity needs.



Appendix A: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Huntsville'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 Town'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 Town's MNRI are at variance from the targeted allocations set out herein, if the reason for the variation is that the transition plan has not been completed.

At the writing of this Plan (June 1, 2020), Huntsville's ONE Legal List Investment Program holdings included the following:

Current Holdings	Amount (\$)
ONE Canadian Government Bond Portfolio	513,585
ONE Canadian Corporate Bond Portfolio	688,932
ONE Canadian Equity Portfolio	1,079,316
ONE HISA	1,584,034
Total	<u>3,865,864</u>

The objective is to move from existing investment to the current allocations recommended in this Plan (as noted below) as quickly and cost efficiently as practicable. The Town will liquidate the securities above, and the proceeds will be delivered to ONE JIB. The settlement cycle for ONE Investment portfolios & HISA is very short so no special considerations will be needed to accommodate the transfer of ONE Investment legal list holdings to ONE JIB investments. Additional monies will be transferred to ONE JIB to make up the balance of the MNRI. The Town will use cash plus proceeds from liquidating other short-term investments to complete the transfer of control and management of its MNRI to ONE JIB.

ONE Investment will provide forms to Huntsville'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 Town'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 - Huntsville's Outcomes

Outcome	Total Invested (\$)	Portfolio Weight (%)
Cash	2,000,000	25.0
Contingency	3,000,000	37.5
Target Date 3-5 yrs	2,000,000	25.0
Target Date 10+ Years	1,000,000	12.5
Total	8,000,000	100.0

Table C-2 – Huntsville's Consolidated Holdings

ONE Investment Funds & HISA	Total Invested (\$)	Portfolio Weight (%)
ONE HISA	2,400,000	30.0
ONE Canadian Equity Fund	825,000	10.3
ONE Global Equity Fund	1,925,000	24.1
ONE Canadian Government Bond Fund	427,500	5.3
ONE Canadian Corporate Bond Fund	427,500	5.3
ONE Global Bond Fund	1,995,000	24.9
Total	8,000,000	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.

Appendix E: Transferring Funds

These procedures will be provided at a later date.

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