City of Kenora

(City or Kenora)

Investment Plan

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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.

CPTF: means the City Citizen's Prosperity Trust Fund which was established in 2008 with the proceeds of the sale of Kenora's municipal telephone system – approximately $40.8 million. The City requires $1.1 million in income from this trust fund.

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 Kenora'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, Kenora's investment objectives and risk tolerances.

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

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 Kenora, 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 Kenora'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 Kenora'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. Kenora's IPS defines MRI as funds that are to be used to meet financial obligations within the next 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 the City of Kenora's money that it does not require immediately (Long-Term Funds or MNRI). This Plan complies with Kenora's IPS adopted by Council on February 18, 2020 and is based on the information in the Municipal Client Questionnaire (MCQ) dated April 30, 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 Kenora.

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 the City's IPS.

This Plan is dependent on clear communication between the City, ONE JIB and ONE Investment regarding the City'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 City'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 the City. 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 City-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 the City'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 the City'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 the City has an obligation for a specific project at a specific time.

The City has identified details of its investment objectives for its MNRI within its IPS. The detailed analysis of how the main reserves, reserve funds and other balances are described in detail on pages 24 through 26 of the City's IPS and provides relevant context about the objectives, risk tolerance and time horizon for accounts that represent the City's MNRI.

The City'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. This informs ONE JIB about the City'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 – Investment Outcomes). The approved Outcomes Framework differs somewhat from the Outcome mapping that was presented to Council. This Plan has interpreted the goals and objectives as disclosed by the City within the context of the Outcome mapping in Table 1 below. The allocation of the City's MNRI within this framework in Table 1 is consistent with the details as disclosed in the City's IPS and MCQ.

Table 1 - 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 the City's reserve and reserve funds require liquidity, collectively they provide the City with considerable flexibility that should allow some exposure to less liquid investments as/if needed. This is more relevant for reserve and reserve funds 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.

Additionally, the City has significant funding flexibility as most of its MNRI has been identified as having a very long time horizon. Funding needs within the next five years out of MNRI are estimated at $7.3 million, which represents 17% of its MNRI. It is possible that annual municipal cashflows may fund a portion of this estimated spending. This means that the vast majority of the City's MNRI can be invested on a long-term basis to achieve better growth potential.

A significant portion of the City's MNRI reflects balances of the Citizens Prosperity Trust Fund (CPTF) which was established in 2008 from proceeds of the sale of the City's holdings in a telephone company. The CPTF's investments are intended to be invested in perpetuity with the initial capital to remain intact and income/gains from the CPTF to be available to be utilised within the City's budget. The City's objective with the CPTF is to replace the annual income the telephone company provided during its operation, which was approximately $1.1 million with investment income/returns. The City targets a three percent annual return on all CPTF money to meet this objective. The City also borrows from the CPTF to finance capital projects, paying an annual interest rate of three percent back into the CPTF. As such, not all CPTF money is available for investment by ONE JIB. Specifically, the City intends to drawdown $1.1 million annually from all CPTF investment income/returns, which are to be available to be spent within the City's budget. These income/return needs will be generated from income on intracity borrowing from the CPTF, income on the portion of CPTF balances that are MRI, and income/returns from ONE Prudent Investment Program investments. A representative snapshot of the City's MNRI breakdown and the CPTF portion are shown in Table 2. Note that Table 2 allocations are approximate, and they identify where the CPTF investments are currently held, which is a consideration for transition planning purposes.

Table 2 – Breakdown of MNRI and CPTF Portion

Citizens Prosperity Trust Investments	**Amounts ($)**
ONE Portfolios	15,112,259
ONE HISA	917,817
Current ONE Holdings	**16,030,076**
RBC Dexia: 'in-kind' securities	5,000,000
RBC Dexia: Bonds for liquidation	5,778,477
Current RBC Dexia MNRI Holdings	**10,778,477**
Total CPTF MNRI	26,808,553
General Account MNRI	16,456,673
Total MNRI (excluding LDC)	**43,265,226**

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 City are taken into consideration when assigning asset allocations for the City 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 City'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 City 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 investment 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 City. 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 City's MCQ dated April 30, 2020, have been allocated into investment Outcome categories to provide guidance to ONE JIB. The allocation to each Outcome is shown in Table 3 below.

Table 3 – Account Structure

Outcome	Allocation ($)	Allocation Weight (%)	Account
Stable Return	21,800,000	57.0	CPTF
Contingency	13,465,226	35.2	General
Target Dates 3-5 yrs	3,000,000	7.8	General
Total	38,265,226	100.0	

** five million in in-kind bonds will represent MNRI that is part of the CPTF. These amounts are not represented in the table above.*

Mixes of ONE Prudent Investment Program funds and products appropriate for the City's circumstances will be used for each Outcome. Descriptions of these solutions, ONE Prudent Investment Program funds and the asset allocations for each Outcome are shown in Appendix B. Note that ONE JIB will receive $5 million in securities In-Kind from the City which will represent a portion of its MNRI which is associated with the CPTF. When these securities mature (in several years) the proceeds will be invested in the investment Outcomes in keeping with the Plan at the time of maturity.

The portion of MNRI that represents CPTF balances will be segregated into separate accounts versus the remainder of MNRI from the City's general account. This will facilitate clearer reporting of the CPTF returns and will also allow the income target objective of CPTF monies to be better demonstrated. The balances in the Stable Return Outcome of $ 21,800,000 reflect the CPTF balances in the City's MNRI. The CPTF also holds $5 million In-Kind securities which represent a portion of the City's MNRI. As these securities mature the proceeds will be invested in the ONE Prudent Investment Program funds under the CPTF account. Allocations to the Contingency and Target Date 3-5 Year Outcomes represent amounts in the general account.

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

6.3 Stable Return Outcome

The City has identified a need to generate a stable return on certain funds, while also growing principal sufficiently to offset inflation. The Stable Return Outcome is designed to generate income that could be used to fund regular spending needs, and the City has identified the need for income/returns from investments to be incorporated within the annual City budget. The perpetual nature of monies in the CPTF and the specific objective for three percent annual returns are key considerations in allocating CPTF monies. The Stable Return Outcome is designed for this purpose. This Outcome has an allocation for 30% to equity investments which will help this Outcome generate annual returns that should contribute a significant portion of the annual income requirement, and potentially provide modest growth in capital over time. The CPTF also receives income from intracity borrowings from the CPTF and from other sources. The returns from the Stable Return Outcome and other sources should generate enough additional income for the CPTF to meet the required annual income target. About $21.8 million will be invested in the Stable Return Outcome, all of which represents CPTF monies.

All income generated from the Stable Return Outcomes will be reinvested. The annual income needs of the City may be satisfied by selling securities from the Stable Return Outcome as needed. Details of the allocation of the Stable Return Outcome are shown in Table 4. Details of all asset mix ranges are also available in Appendix B. Stable Return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

Table 4 - Stable Return Outcome

	% Weight			
Asset Class	**Min**	**Target**	**Max**	**Benchmark**
Cash	**8**	**10**	**12**	
ONE HISA		10		Bank of Canada 1 Year GIC Rate
Equity	**26**	**30**	**34**	
ONE Canadian Equity Fund		9		S&P/TSX Composite Index
ONE Global Equity Fund		21		MSCI ACWI (All Country World Index)
Fixed Income	**55**	**60**	**65**	
ONE Canadian Government Bond Fund		9		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		9		*blended benchmark* - Canadian Corporate Bonds
ONE Global Bond Fund		42		Bloomberg Barclays Multiverse Index
Total		**100**		

Stable Return Outcome returns and risk are discussed in section 6.6.

Benchmark: 10% Bank of Canada 1 Year GIC Rate + 9% x S&P/TSX Composite Total Return Index + 21% x MSCI ACWI + 9% x *blended benchmark* - Canadian Government Bonds +9% x *blended benchmark* - Canadian Corporate Bonds + 42% 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

6.4 Contingency Outcome

The City 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 City'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 approximately $13.5 million.

Table 5 - Contingency Outcome

Asset Class	% Weight Min	% Weight Target	% Weight Max	Benchmark
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		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		*blended benchmark* - 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 in the future. All income will be reinvested.

The City has identified about $7.3 million in funding that will be required within the next five years. The Treasurer noted that the City will transfer $5 million of In-Kind securities to ONE JIB as MNRI. These securities will be placed under the control and management of ONE JIB and will likely be transferred back to the City to fund expected future projects. This limits the amounts that will need to be liquidated from the ONE Investment Outcomes to provide funding for capital projects in the next five years. Approximately $3.0 million will be invested in the Target Date 3-5 Year Outcome, which should provide sufficient liquidity in the coming years.

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. Details of the allocation to this Outcome are shown in Table 6. Further detail about Target Date Outcome allocations can also be found in Appendix C.

Table 6 - Target Date 3-5 Year Outcome

Asset Class	Min	% Weight Target	Max	Benchmark
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		*blended benchmark* - Canadian Government Bonds
ONE Canadian Corporate Bond Fund		10.5		*blended benchmark* - 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

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing under the Prudent Investor Standard. Table 7 below provides a projection of the expected annual returns for the City'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. The income generated from In-Kind securities has not been estimated in Table 7 and hence the projected returns/income on the total $43.3 million MNRI will be higher than shown.

Table 7- Projected Annual Returns

Outcome	Allocation Weight (%)	Expected Return	Annual Return ($) or Income Expected
Stable Return	57.0	3.8%	830,907
Contingency	35.2	4.9%	660,873
Target Dates 3-5 yrs	7.8	3.0%	90,165
Total	**100.00**	**4.1%**	**1,581,945**

* 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 Extended 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. As part of its due diligence, ONE JIB obtains 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 A, 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 the City's 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. The City's cashflow needs are expected to be financed with the sale of units of the investment pools. Any fee discounts that apply to the City are intended to be reinvested into the Target Date 3-5 Year Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

The City's investment in Synergy North Corporation, an 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 City's IPS such that ONE JIB has agreed not to dispose of or deal with that investment without the City's consent. Table 8 below describes the investment in Synergy North Corporation.

Table 8 - Local Distribution Company Shares

Investment	Type	Value, of Investment ($)
Synergy North Corporation	Local Distribution Company (LDC)	9,999,402

11.2 Transitional Investments

The MNRI that the City will transfer the control and management of to ONE JIB will be primarily funded from the proceeds of the liquidation of the City's ONE Investment Legal List Investment Program products. The City 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.

The City also holds investments at RBC Dexia which will represent a portion of the City's MNRI. Some of the securities held at RBC Dexia will be liquidated and the proceeds will be given to ONE JIB and a portion will be transferred as securities In-Kind to ONE JIB. The City anticipates a need to fund approximately $5 million of spending for capital projects at the end of 2022 or early in 2023 and the use of the securities In-Kind will provide flexibility in addressing these and other known funding needs. More detail on transition planning is provided Appendix D.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Overall the City's investment horizon is very long, with the CPTF monies representing most of the City's MNRI. The CPTF is intended to represent a perpetual fund which provides a source of recurring income to be utilized within the City's budget. The long-term nature suggests that a significant allocation to equities will be required to provide the required growth and income that the City requires. The need to achieve growth for the monies invested with above-inflation returns also suggests a meaningful equity allocation is appropriate. The City's reserve fund balances over the next few years will be affected by ongoing expenditures, related to replacement of the wastewater treatment plant and related activities. Some balances are held as MRI to fund these projects, but there are additional capital spending needs over the next five years that may require funds from MNRI. It would appear that the balances of the City's MNRI will be relatively flat for two to three years, and then may start rising thereafter. This offers the City flexibility to invest monies for the long term. If unforeseen circumstances require MNRI to be accessed all investments are highly liquid, giving the City full flexibility to access funds as needed.

Approximately $7.3 million of MNRI was identified as having an investment horizon of two to five years. The Plan includes a transition plan where approximately $5 million of securities received In-Kind will be held to address liquidity needs in this two to five year time frame as needed. If additional shorter-term liquidity is required, balances from the Target Date 3-5 Year Outcome can also be utilized.

Overall, the City has the flexibility to assume a modest risk profile for the consolidated portfolio with investment allocations being influenced by the relatively long time horizon associated with the MNRI. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at 39.0% of MNRI (excluding In-Kind bond portion), which is an appropriate level for the City.

Appendix A: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in the City'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.

Cash Outcome		**% Weight**	
	Min	**Target**	**Max**
ONE HISA	na	100	na
Total Cash		**100**	

Stable Return Outcome		**% Weight**		**Duration**
	Min	**Target**	**Max**	**(Years)**
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**		

Contingency Outcome		**% Weight**		**Duration**
	Min	**Target**	**Max**	**(Years)**
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**		

Asset Management Reserve Outcome		**% Weight**		**Duration**
	Min	**Target**	**Max**	**(Years)**
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		
	% Weight			% Weight			% Weight		
	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 City'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 the Plan if the actual allocations for the City's MNRI are at variance from the targeted 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 the City's holdings were as follows:

The City's ONE Investment Holdings (As at May 31, 2020)	Amount
ONE Canadian Government Bond Portfolio	6,451,521
ONE Canadian Corporate Bond Portfolio	12,286,975
ONE Canadian Equity Portfolio	13,390,548
ONE Investment HISA	5,971,090
Total – ONE Investment	38,100,134

The City's RBC Dexia Holdings (as at May 31, 2020)	Amount
Bonds to be liquidated (Proceeds transferred to ONE JIB)	5,780,000
Bonds to be transferred in-kind to ONE JIB	5,000,000
Bonds to be held at RBC Dexia (MRI Investments)	3,076,312
Total – RBC Dexia	13,856,312

The objective is to move to the allocations in Table E-1 below as quickly as practicable. The settlement cycle for ONE Legal List Investment Program products is very short, so no special considerations will be needed to accommodate the transfer of these monies to ONE JIB. It is anticipated that the City will fully liquidate the ONE Investment Legal List portfolios, but will retain balances in the ONE HISA, which will reflect part of the City's MRI investments. Additional monies and securities from the RBC Dexia account will reflect the balance of MNRI. The MNRI funds and securities should be transferred by the Treasurer to ONE JIB on or before July 2, 2020.

The City has approximately $10.8 million of securities currently held at RBC Dexia that will form a portion of its MNRI. Approximately $5.8 million will be liquidated, and the proceeds will be transferred by the current investment manager to into the appropriate account at ONE Investment's custodian. The City also holds about $5 million of bonds that will be transferred to ONE JIB In-Kind. A schedule of the bonds designated as In-Kind securities under the control and management of ONE JIB will be formalized before the July 2, 2020 effective date. These In-Kind securities may be used for nearer-term liquidity needs of the City. It is anticipated that some of these In-Kind securities could be transferred back to the City to be liquidated in subsequent annual reviews, as MNRI is expected to be reduced to accommodate capital spending in the next five years. As In-Kind securities mature over time the proceeds will be invested in ONE Investment Outcomes.

ONE Investment will provide forms to the City's Treasurer to facilitate the liquidation of ONE Legal List Investment Program products. 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 City'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. Neither table reflects the $5 million designated as In-Kind securities.

Table C-1 – Kenora's Outcomes

Outcome	Allocation ($)	Allocation Weight (%)	Account
Stable Return	21,800,000	57.0	CPTF
Contingency	13,465,226	35.2	General
Target Dates 3-5 yrs	3,000,000	7.8	General
Total	38,265,226	100.0	

Table C-2 – Kenora's Consolidated Holdings

ONE Investment Funds & HISA	Total Invested ($)	Portfolio Weight (%)
ONE HISA	2,780,000	7.3
ONE Canadian Equity Fund	4,475,741	11.7
ONE Global Equity Fund	10,443,395	27.3
ONE Canadian Govenrment Bond Fund	3,084,914	8.1
ONE Canadian Corporate Bond Fund	3,084,914	8.1
ONE Global Bond Fund	14,396,263	37.6
Total	**38,265,226**	**100.0**

Holding weights will be maintained within the asset allocation bands identified in section 6 of this Plan until instructed otherwise. It is intended that the Stable Return Outcome reflect balances in the CPTF and as such it may required to be identified as being in a separate account from other portions of the City's investments.

Appendix E: Transferring Funds

These procedures will be provided at a later date.

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