

To: ONE Joint Investment Board
From: Evelyn Foo, Chief Compliance Officer, ONE Investment
Date: November 29, 2023
Re: Compliance Reports Asset Classes and Target Weight Allocations Q3 2023
Report: ONE JIB 2023-072

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

ONE Investment is providing two internal compliance reports to assist ONE JIB in monitoring the weights of investment holdings and asset classes relative to their targets for each Participating Municipality.

3. BACKGROUND

The portfolio management system generates reports to monitor allocation weights

The compliance reports generated by ONE Investment's portfolio management system show the positioning of all investment Outcome accounts of Participating Municipalities relative to their Target Weights as of September 30, 2023. These two compliance reports can be found in Attachments 1 and 2 of this report.

Two compliance reports are provided to ONE JIB on a quarterly basis

Two reports—the portfolio asset mix report and the allocation drift monitoring report—are provided to ONE JIB on a quarterly basis to allow it to monitor the allocations and understand the positioning of the Outcome accounts relative to the target asset class and fund weights for each Participating Municipality. These reports also allow ONE JIB members to understand the quarter-end positioning of the Outcome accounts and provide a basis for discussion with the Chief Investment Officer and Chief Compliance Officer on the positioning of the Outcome accounts.

The Portfolio Asset Mix and Allocation Drift Monitoring Reports highlight deviations from high-level asset class (Equity Funds, Fixed Income Funds, Cash & Equivalents) target weights and Fund by Outcome.

Portfolio Asset Mix Report

The two columns on the far right of the Portfolio Asset Mix report (Attachment 1) show the target and actual allocation weights for equity and fixed income asset classes.

Allocation Drift Monitoring Report

The Allocation Drift Monitoring report (Attachment 2) shows the degree to which the weights of individual holdings (Funds or HISA allocation) differ from the target weights for each fund and outcome assigned in the Investment Plan. The Chief Investment Officer and Chief Compliance Officer monitor this report on a regular basis as part of their portfolio oversight responsibilities.

The two columns on the far right of the Allocation Drift Monitoring Report highlight when allocation weights have moved notably away from target weights. The “2% Drift from target” column shows values when the absolute weight of a holding is above or below target by two percentage points. The “10% above Target” shows values when the weight of a holding as a proportion of the target weight is 10% above or below the target weight.

4. ANALYSIS

Allocation weights for all Outcomes were brought within the expected tolerance bands through rebalancing at the end of October

Allocation weights for each Participating Municipality for some categories were greater than their intended target weights and above the expected tolerance bands. As a result, rebalancing was performed as of October 30, 2023.

5. CONCLUSION

ONE Investment uses its portfolio management system to monitor municipal account allocations in relation to ONE JIB’s Outcomes. The attached reports provide ONE JIB with the tools to monitor the positioning of asset classes and individual holdings within the Outcomes relative to their intended targets.

Attachment

Attachment 1: Portfolio Asset Mix

Attachment 2: Drift Allocation Monitoring Report

Drafted by: Evelyn Foo, Chief Compliance Officer

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