



# REPORT

To: ONE Joint Investment Board  
From: Keith Taylor, Chief Investment Officer  
Date: December 15, 2020  
Re: Overview of Canadian Equity Mandate and Manager  
Report: 20-039

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## 1. RECOMMENDATIONS

It is recommended that the Board:

- 1) Receive the report entitled Overview of Canadian Equity Mandate and Manager for information.

## 2. SUMMARY

Since 2007, Guardian Capital has partnered with ONE Investment in providing Ontario municipalities with the ability to invest in Canadian equities in a way that is compliant with the *Municipal Act*. This has been the only method by which Ontario municipalities can invest in equities. The Canadian Equity Fund used in the ONE Prudent Investor offering is largely based on the existing Legal List equity portfolio. By design, the fund provides exposure to Canadian equities under a 'targeted risk' approach that is designed to reduce volatility. The manager, Guardian Capital, will make a presentation to the ONE JIB describing the basic features of the fund and providing details on current positioning, performance and outlook.

## 3. BACKGROUND

The ONE Canadian Equity Fund is a core holding within the ONE JIB Outcome Framework

The ONE Canadian Equity Fund invests in shares of Canadian companies. By owning an equity stake in these listed companies, the Fund benefits from the growth and income generated by the shares held. The Fund, managed by Guardian Capital, is an important building block for the ONE JIB Outcome Framework. It offers the potential for significant growth yet has low correlation with the fixed income funds in the Outcome Framework. The Fund is used to build asset mixes in the Outcome Framework that are diversified, thereby offering the potential to generate reasonable risk-adjusted returns over time.

## **Guardian Capital has direct experience managing equity investments for Ontario municipalities**

The manager is familiar with the needs of the municipal investors, having managed the Legal List portfolio since 2007. Guardian has experience working with Ontario municipalities and has a good understanding of the key concerns and needs of the sector. Their lower risk approach and attention to Environmental, Social and Governance issues are examples of how their approach is appropriate for the municipal sector.

## **The manager focuses on quality companies and uses fundamental analysis to select Investments**

Guardian Capital does detailed analysis of every prospective holding and looks at the fundamentals of each holding, paying attention to the business metrics and outlook. The manager's quality-focused approach focuses on companies with sustainable business models that tend to be more stable and have growth potential. Close attention is paid to the valuation of investments to ensure that the prices of securities held are justified by their earnings prospects. The approach also minimizes exposure to commodity-related firms and avoids more speculative investments.

## **4. CONCLUSION**

ONE Investment has had a long relationship with Guardian Capital through the Legal List. Guardian understands municipalities, this is an opportunity for ONE JIB to learn more about the mandate, performance and positioning in the presentation by Guardian Capital.

Drafted by: Keith Taylor, Chief Investment Officer

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