



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: February 17, 2021
Re: Review Policy of External Investment Managers
Report: 21-006

1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve the proposed Policy for Reviewing External Investment Managers in Appendix A.

2. SUMMARY

The ONE Joint Investment Board (ONE JIB) has a fiduciary duty to ensure the monies invested under the ONE JIB are managed appropriately. The ongoing monitoring of External Investment Managers is a key responsibility in fulfilling this fiduciary duty. The Policy for Reviewing External Investment Managers, attached to this report as Appendix A, is intended to provide structure and guidance for the evaluation of the external investment managers.

3. BACKGROUND

Considerable due diligence is performed when establishing investment mandates or selecting investment managers. In addition to this initial evaluation, ONE Investment and the ONE JIB have a responsibility to:

- monitor performance to understand the drivers of performance
- evaluate how well the managers and their funds are doing
- understand how performance has been achieved
- ensure that the external investment managers are adhering to the applicable Investment Manager Agreements and are managing the funds according to the mandates they have been given.

Reviews of external investment managers occur within a larger context which include Outcomes, asset mix allocations and Investment Manager Agreements.

4. ANALYSIS

External Investment Manager's performance will be reviewed quarterly

The external investment managers provide a detailed analysis and explanation of investment

performance on a quarterly basis. This information should be sufficient to assess the performance of the portfolio, understand portfolio positioning, and explain how the positioning has affected investment returns. The Chief Investment Officer and Chief Compliance Officer will analyze the information provided and report to the ONE JIB on their findings. Summary reports on the performance, positioning and explanation of performance drivers will be provided to the ONE JIB every quarter.

The purpose of the quarterly review is to understand performance and to ensure that the portfolio is managed according to expectations. How performance is achieved is arguably more important than the absolute or relative performance attained. The external investment managers should not be taking risks that are beyond the scope of their mandate, and they should be adhering to the relevant investment guidelines. The quarterly review should also identify changes at the investment firm such as personnel changes, reputational issues or compliance issues. Specific criteria for the quarterly review of the external investment managers can be found in the Policy in Appendix A.

The External Investment Managers should appear before the ONE JIB annually

On an annual basis, each external investment manager should make a presentation to the ONE JIB in which they would be expected to discuss the basic features of the mandate, the current positioning of the mandate, and investment performance. This meeting will allow ONE JIB members to ask the portfolio managers directly about performance, positioning and strategy.

An in-depth review the External Investment Managers should be conducted periodically

At least once every two years, the ONE JIB should determine whether a comprehensive review of each external investment manager is warranted. If the ONE JIB decides to conduct such a review, it could be carried out by an external consultant to provide a 'deep-dive' into the managers.

5. CONCLUSION

Review of the external investment managers is part of the ONE JIB's responsibilities. To guide this review, a Policy for Reviewing External Investment Managers has been developed.

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Reviewed by: Keith Taylor, Chief Investment Officer.

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