



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: May 11, 2021
Re: Update on April 15 Rebalancing
Report: 21-029

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report for information

2. SUMMARY

ONE Investment initiated a scheduled rebalance of the allocations for all Participating Municipalities on April 15, 2021, consistent with the provisions of the approved Investment Plans.

Within each Outcome, Funds that were 2% or more above or below their target weights were rebalanced towards their target weights. Rebalancing within the Outcomes required the redeployment of the proceeds of sale, which were reallocated to the holdings that were most underweight in each Outcome. The decision to rebalance was guided by a comparison of holdings weights to the target weights identified in Appendix B of the Participating Municipalities' Investment Plans.

3. BACKGROUND

The criteria established in the Investment Plans for scheduled rebalances state that if any holding within an Outcome moves away from its target weight by 2% or greater, the holding will be rebalanced to target weight. If the movement away from target is less than 2%, a rebalance is not required.

4. ANALYSIS

The results of the rebalancing trades are reflected in the Allocation Drift Monitoring Report
A snapshot of the investment allocations was taken on April 19, 2021 to reflect results of the rebalancing trades. The associated compliance reports that show the allocations of the Outcomes relative to target weights for Q1 2021 can be found in the Appendix to this report.

The ONE Canadian Equity Fund allocation weight was reduced in the affected Outcomes
The strong performance of the ONE Canadian Equity Fund outpaced the performance of other

holdings. This resulted in its weight moving significantly higher in many of the Outcomes, and in many cases its weight exceeded the target weight by 3% or more. For Outcomes that required a rebalance, the ONE Canadian Equity Fund was reduced to bring the weight closer to the target weight.

Proceeds of equity reductions were reallocated primarily to the fixed income funds

The most significant underweight allocation in most Outcomes was the ONE Global Bond Fund. Most of the proceeds realized through the sale of the ONE Canadian Equity Fund were deployed into the ONE Global Bond Fund.

The allocations to the ONE Canadian Bond Fund and the ONE Canadian Corporate Bond Fund had moved below their target weights by more than 10% in some Outcomes. The rebalancing trades deployed some money to these Funds to correct some of this change in allocation weights versus target weights.

The rebalancing trades reflect a partial rebalance of the Outcomes

To minimize trading activity, the trades initiated corrected most, but not all, deviations from the target weights. In most cases, the trading did not involve all holdings in each Outcome, and each of the trades were directionally correct but did not necessarily fully correct the deviation in allocation weights. As noted above, some Outcomes, such as the Target Date 3-5 Year Outcome and the Stable Return Outcome were not rebalanced as the magnitude of the movement in allocations did not merit a rebalance.

5. CONCLUSION

The rebalancing trades on April 15, 2021 brought allocations that were outside their minimum or maximum weights closer to their target weights and within their minimum and maximum weights. This rebalancing process is intended to keep the allocation weights from moving significantly away from the target weights identified in the Investment Plans of each Participating Municipality.

Drafted by: Keith Taylor, Chief Investment Officer

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