



# QUARTERLY INVESTMENT REPORT

For The Period Ended March 31, 2021

## **Kenora CPTF - Prudent Investor Portfolio**

1 Main Street South  
Kenora, ON  
P9N 3X2

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Treasurer  
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## **ONE Investment**

200 University Ave, Suite 801  
Toronto, Ontario  
M5H 3C6

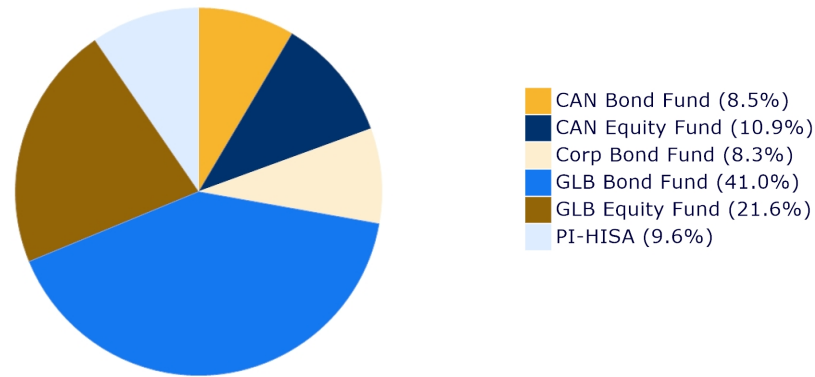
## **Relationship Manager**

Wardah Mir, Client Service Representative  
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**Kenora CPTF - Prudent Investor Portfolio**  
**Executive Summary for the Quarter Ended March 31, 2021**

	<b>Time-Weighted Rate of Return in CAD for Consolidated Holdings</b>						<b>Since Inception</b>	<b>Inception Date</b>
	<b>Quarter</b>	<b>Year to date</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>5 Years</b>		
Consolidated Portfolio Returns	0.4%	0.4%	-	-	-	-	5.7%	07/02/2020

**Overall Asset Allocation**



**Consolidated Portfolio Activity for Quarter**

<b>Portfolio</b>	<b>Starting Balance</b>	<b>Contribution</b>	<b>Withdrawals</b>	<b>Change in Market Value</b>	<b>Income</b>	<b>Ending Balance</b>
CAN Bond Fund	1,982,782.36	-	-	(26,867.88)	9,200.36	1,965,114.84
CAN Equity Fund	2,299,775.74	-	-	223,714.63	-	2,523,490.37
Corp Bond Fund	1,988,455.55	4,037.78	-	(77,052.11)	9,881.81	1,925,323.03
GLB Bond Fund	9,594,790.68	-	-	(272,739.07)	140,395.09	9,462,446.70
GLB Equity Fund	4,889,242.60	-	-	101,452.77	-	4,990,695.37
PI-HISA	2,211,606.85	-	-	-	2,308.92	2,213,915.77
<b>Total</b>	<b>22,966,653.78</b>	<b>4,037.78</b>	<b>0.00</b>	<b>(51,491.66)</b>	<b>161,786.18</b>	<b>23,080,986.08</b>

**Kenora CPTF - Prudent Investor Portfolio**  
**Performance History At**  
**March 31, 2021**

**Performance by Fund**

	% Annualized Returns							Since Inception	Inception Date
	Quarter	Year to Date	1 Year	2 Years	3 Years	4 Years	5 Years		
One High Interest Savings Account	0.1	0.1	-	-	-	-	-	0.4	07/02/2020
ONE Canadian Equity Fund	9.7	9.7	-	-	-	-	-	28.6	07/02/2020
ONE Global Equity Fund	2.0	2.0	-	-	-	-	-	9.0	07/02/2020
ONE Canadian Corporate Bond Fund	-3.4	-3.4	-	-	-	-	-	-2.1	07/02/2020
ONE Canadian Government Bond Fund	-0.9	-0.9	-	-	-	-	-	0.1	07/02/2020
ONE Global Bond Fund	-1.4	-1.4	-	-	-	-	-	3.3	07/02/2020

**Performance by Outcome**

	% Annualized Returns							Since Inception	Inception Date
	Quarter	Year to Date	1 Year	2 Years	3 Years	4 Years	5 Years		
Stable Return Outcome	0.4	0.4	-	-	-	-	-	5.7	07/02/2020

## **QUARTERLY REVIEW**

Equity markets continued their rally in the first quarter of 2021, driven largely by the rapid acceleration in the vaccine roll-out, which has led to increased confidence that economic performance will continue to improve as the pandemic abates. Economic indicators have been very encouraging in Canada with rising home prices, consumer confidence and industrial activity all provided evidence of improvement. This improved economic outlook provided the backdrop for strong equity markets, but it also led to expectations of greater inflation pressures. Longer-term interest rates moved higher in response to these changing inflation expectations.

Due to Canada's sizable exposure to the strengthening commodity and financial industries, Canadian equities outperformed less-cyclically exposed equity markets. This resulted in very strong performance of the ONE Canadian Equity Fund, with returns of 9.7% in the quarter. The energy sector performed well on the back of a 20% increase in crude oil prices. The financials sector also had strong performance, up closer to 14%, as banking stocks benefited from a steepening yield curve (long-term interest rates rising more than short-term rates). The health care sector, the smallest sector of the Canadian equity market, had a significant contribution to overall fund performance. The investment manager had a 5% allocation to Bausch Health Companies Inc., which responded to strong results and improving prospects by rallying over 50%. This had a meaningful positive impact on overall fund performance.

We continue to face a battle between lingering virus concerns (caution) and vaccine roll-outs, which will bring eventual economic reopening (rational optimism). This said, the manager sees a path to reopening and remains optimistic. In recent months, further supply-chain bottlenecks have been exposed, leading to both inflation risk and air pockets in an economic recovery. The uncertainty about the timing and force of the economic recovery has led to a more balanced portfolio positioning that exhibits varying levels of cyclical and defensive characteristics. The Fund remains balanced across defensive and pro-cyclical exposures, with a strong quality bias.

## **QUARTERLY REVIEW**

The strong performance of global equities continued in the first quarter, fueled by progress on COVID-19 vaccination programs and the relaxation of pandemic-led restrictions in parts of the world. Due to an improving public health situation and the flood of easy money from unprecedented monetary and fiscal stimulus, many countries appear ready for a rapid economic recovery. But expectations for a robust global recovery have investors bracing for inflation, leading to a spike in developed-market bond yields.

The rise in longer-term interest rates in the quarter led to a steeper yield curve that helped the performance of banking stocks held but had a mixed impact on certain other holdings. The selloff in bonds accelerated the rotation out of the "stay-at-home" stocks (i.e., companies that thrived during the downturn) and toward more economically sensitive sectors. Many cyclical, value-oriented, and lower-quality businesses, which had previously been beaten down by the pandemic, fared well in the first quarter. The manager's approach does not emphasize these types of stocks.

The manager's investment philosophy prizes consistent, recurring revenue streams, which is a theme that has not been fully rewarded by the market in recent months. This approach tends to emphasize competitively advantaged business models that leads the fund to have less exposure to energy, banks, shipping, and diversified mining companies - most of which were among the best performing parts of the market over the quarter. Fundamentally, the Fund has proven more resilient through the pandemic: the revenues and operating earnings of equities in the fund, in aggregate, have been less volatile than broader market, both on the way down and on the way up. Fundamentals and market performance often diverge. The Fund generated returns of 2.0% in the quarter, modestly below the returns in the broader market.

After a year of COVID-19 related worries, investor psychology seems to be acutely focused on a return to "normal", but exactly what normal is going forward remains unclear. Stock prices continue to reflect a degree of optimism that leaves them vulnerable to setbacks if investors' expectations aren't met.

## **QUARTERLY REVIEW**

The global economic backdrop brightened during the first quarter, and despite rising COVID-19 cases, emergency lockdowns and the slow vaccine roll-out, there was an acceleration of economic activity across broad parts of the economy. Short-term bond yields generally remained steady in the first quarter, tethered to the near-zero interest-rate policies maintained by many of the world's central banks. However, the potential for higher inflation as the global economy gets back on track led to rising intermediate and longer-term bond yields globally, which pushed bond prices lower. Bond markets in the Asia-Pacific region held up the best during the quarter, while European and North American fixed-income markets posted larger declines. On a sector basis, government bonds declined the most, reflecting their greater interest-rate sensitivity, while high-yield corporate bonds were the best performers.

The rise in longer-term interest rates weighed on performance and led to modestly negative returns in the quarter. The global fixed income exposure has a much shorter maturity profile than its benchmark and as a result is less sensitive to changes in interest rates. This helped to reduce the performance impact of rising longer-term rates in the quarter. The Canadian dollar strengthened vs most major currencies in the quarter, which in isolation should have a negative impact on performance, but currency hedges substantially mitigated the impact.

Extraordinarily accommodative monetary and fiscal policy on a global basis will support economic activity throughout 2021. We expect the broad distribution of vaccines in the first half of the year to also serve as a tailwind for further economic recovery as pent up demand is released. Volatility will remain elevated in the short-term, however, as investors balance positive news surrounding vaccinations and re-openings against the potential for increasing inflation and the timing of central bank tightening. While the investment managers remain positive on the long-term economic recovery, given the inherent risks in the short-term, they believe it's important to strike a balance between yield/risk and quality, stability and liquidity.

**Kenora CPTF - Prudent Investor Portfolio**  
**Consolidated Portfolio Holdings in CAD**  
**As of March 31, 2021**

<b>Security</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Book Value</b>	<b>Price</b>	<b>Market Value</b>	<b>% Weight</b>
PI-HISA	2,213,915.770	1.00	2,213,915.77	1.00	2,213,915.77	9.59%
CAN Equity Fund	2,004.924	1,003.14	2,011,236.90	1,258.64	2,523,490.37	10.93%
GLB Equity Fund	4,745.529	1,001.06	4,750,602.45	1,051.66	4,990,695.37	21.62%
Corp Bond Fund	1,996.891	999.81	1,996,528.02	964.16	1,925,323.03	8.34%
CAN Bond Fund	1,989.948	999.95	1,989,867.41	987.52	1,965,114.84	8.51%
GLB Bond Fund	9,474.762	1,000.43	9,478,927.89	998.70	9,462,446.70	41.00%
					<b>23,080,986.08</b>	<b>100.00%</b>

**Kenora CPTF - Prudent Investor Portfolio**  
**Holdings by Account**  
**At March 31, 2021**

**Account Name: Kenora - Stable Return Outcome**  
**Account Number: 570050179**

**For the Quarter Ending**  
**March 31, 2021**

<b>Holdings</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Book Value</b>	<b>Price</b>	<b>Market Value</b>	<b>Weight</b>	<b>Market Value Gain (Loss)</b>	<b>Income Received</b>
PI-HISA	2,213,915.77	1.00	2,213,915.77	1.00	2,213,915.77	9.5%	0.00	2,308.92
Corp Bond Fund	1,996.89	999.81	1,996,528.02	964.16	1,925,323.03	8.3%	(77,052.29)	9,881.81
CAN Equity Fund	2,004.92	1,003.14	2,011,236.90	1,258.64	2,523,490.37	10.9%	223,714.63	0.00
CAN Bond Fund	1,989.94	999.95	1,989,867.41	987.52	1,965,114.84	8.5%	(26,867.88)	9,200.36
GLB Bond Fund	9,474.76	1,000.43	9,478,927.89	998.70	9,462,446.70	41.0%	(272,739.07)	140,395.09
GLB Equity Fund	4,745.52	1,001.06	4,750,602.45	1,051.66	4,990,695.37	21.6%	101,452.77	0.00
			<u>22,441,078.44</u>		<u>23,080,986.08</u>	100.0%	(51,491.84)	161,786.18

**Kenora CPTF - Prudent Investor Portfolio**  
**Performance History**  
**At March 31, 2021**

**% Annualized Returns**

	<b>Quarter</b>	<b>Year to Date</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>4 Years</b>	<b>5 Years</b>	<b>Since Inception</b>	<b>Inception Date</b>
Return Net of Fees	0.4	0.4	-	-	-	-	-	5.7	07/02/2020

**% Calendar Year Returns**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Return Net of Fees	-	-	-	-	-



**Kenora CPTF - Prudent Investor Portfolio**  
**Transaction Summary for the Quarter Ended March 31, 2021**

**TRANSACTION SUMMARY**

**Account Name: Kenora - Stable Return Outcome**

**Account Number: 570050179**

TRANSACTION TYPE	SECURITY	TRADE DATE	SETTLEMENT DATE	QUANTITY	TRADE AMOUNT (CAD)
Buy	Corp Bond Fund	02/05/2021	02/05/2021	2.01	2,002.23
Buy	Corp Bond Fund	03/01/2021	03/01/2021	2.07	2,035.55
Reinvested Distributions	CAN Bond Fund	03/31/2021	03/31/2021	9.31	9,200.36
Reinvested Distributions	Corp Bond Fund	03/31/2021	03/31/2021	10.24	9,881.81
Reinvested Distributions	GLB Bond Fund	03/31/2021	03/31/2021	140.57	140,395.09
Reinvested Interest	PI-HISA	01/07/2021	01/07/2021	1,718.61	1,718.61
Reinvested Interest	PI-HISA	02/03/2021	02/03/2021	310.12	310.12
Reinvested Interest	PI-HISA	03/03/2021	03/03/2021	280.19	280.19



**Kenora CPTF - Prudent Investor Portfolio  
COMPLIANCE CERTIFICATE  
March 31, 2021**

In accordance with the terms of section 8.02 of the ONEJIB Agreement dated as of July 2, 2020 (the "ONE JIB Agreement") ONE Investment confirms as follows:

With respect to the quarter ended March 31, 2021 to the best of the knowledge and belief of ONE Investment, all assets of the Participating Municipality under the management and control of ONE JIB pursuant to the ONE JIB Agreement have been invested and are held in accordance with the terms of the ONE JIB Agreement, and in a manner consistent with the IPS and the Investment Plan of the Participating Municipality.

A handwritten signature in black ink that reads "Keith Taylor".

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Keith Taylor, Chief Investment Officer, ONE Investment  
On the behalf of the ONE Joint Investment Board

*APPENDIX*

**City Of Kenora - CPTF  
Securities Pledged to ONE  
JIB  
As at March 31, 2021**

Identifier	Description	Maturity	Price	Quantity	Market Value
CA68333ZAK36	PROVINCE OF ONTARIO-MTN 1.75%	2025-09-08	102.314	140,000.00	143,239.60
CA154728AN92	CENTRAL 1 CREDIT UNION 2.60%	2022-11-07	102.934	130,000.00	133,814.20
CA40427HTG88	HSBC BANK CANADA 2.253% FIXED RATE	2022-09-15	102.250	91,000.00	93,047.50
CA62957ZGE93	NHA MBS SCOTIA CAPITAL INC 1.900%	2024-07-01	100.000	44,881.38	44,881.38
CA110709GB20	PROVINCE OF BRITISH COLUMBIA 2.70%	2022-12-18	103.845	77,000.00	79,960.65
CA013051DG93	PROVINCE OF ALBERTA 2.55% BOND	2022-12-15	103.803	62,000.00	64,357.86
CA064151UU54	BANK OF NOVA SCOTIA 1.830% SENIOR	2022-04-27	101.485	194,000.00	196,880.90
CA68333ZAB37	PROVINCE OF ONTARIO - MTN 2.60%	2023-09-08	104.909	276,000.00	289,548.84
CA13596Z4B88	CANADIAN IMPERIAL BANK OF COMMERCE	2023-07-11	105.155	295,000.00	310,207.25
CA13596ZNQ41	CANADIAN IMPERIAL BANK OF COMMERCE	2022-03-21	101.725	228,000.00	231,933.00
CA064151WY58	BANK OF NOVA SCOTIA 2.29% SENIOR	2024-06-28	104.137	387,000.00	403,010.19
CA891160K519	TORONTO DOMINION BANK 1.994% FIXED	2022-03-23	101.559	303,000.00	307,723.77
CA06368BJ907	BANK OF MONTREAL 2.89% DEPOSIT	2023-06-20	104.771	150,000.00	157,156.50
CA13596ZSZ94	CANADIAN IMPERIAL BANK OF COMMERCE	2022-07-11	102.392	239,000.00	244,716.88
CA780086QC12	ROYAL BANK OF CANADA 2.949% SENIOR	2023-05-01	104.648	225,000.00	235,458.00
CA748148RY18	PROVINCE OF QUEBEC 2.25% GLOBAL	2024-02-22	104.580	212,000.00	221,709.60
CA62620DAJ06	MUNICIPAL FINANCE AUTHORITY OF	2024-06-03	104.523	110,000.00	114,975.30
CA68333ZAF41	PROVINCE OF ONTARIO - 2.30% MTN	2024-09-08	104.724	106,000.00	111,007.44
CA13509PHJ53	CANADA HOUSING TRUST NO 1 1.80%	2024-12-15	103.372	80,000.00	82,697.60
CA803854JW90	PROVINCE OF SASKATCHEWAN 3.20%	2024-06-03	107.427	82,000.00	88,090.14
CA13509PHN65	CANADA HOUSING TRUST NO 1 0.950%	2025-06-15	99.636	89,000.00	88,676.04
CA8911452R48	TORONTO DOMINION BANK 2.621%	2021-12-22	101.691	181,000.00	184,060.71
CA626209JP62	MUNICIPAL FINANCE AUTHORITY OF	2024-10-14	107.400	93,000.00	99,882.00
CA69363TAH55	PSP CAPITAL INC 3.29% NOTES SERIES	2024-04-04	107.610	529,000.00	569,256.90
CA891288DJ86	TORONTO ONTARIO 3.40% NON CALLABLE	2024-05-21	108.027	52,000.00	56,174.04
CA614852NP21	MONTREAL QUEBEC 3.50% 01-SEP-2024	2024-09-01	108.601	66,000.00	71,676.66
CA06367XYL95	BANK OF MONTREAL 1.61% FIXED RATE	2021-10-28	100.769	311,000.00	313,391.59
CA891145T792	TORONTO DOMINION BANK 3.226%	2024-07-24	107.210	88,000.00	94,344.80
				<b>Total =</b>	<b>5,031,879.34</b>

## ONE JIB - Outcome Framework - Target Allocations

Outcome							<u>Allocation</u>			
	HISA	Canadian Equity Fund	Global Equity Fund	Canadian Government Bond Fund	Canadian Corporate Bond Fund	Global Bond Fund	Equity	Fixed Income	Cash	Total
Cash	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%			100.0%	100%
Stable Return	10.0%	9.0%	21.0%	9.0%	9.0%	42.0%	30.0%	60.0%	10.0%	100%
Contingency	0.0%	18.0%	42.0%	6.0%	6.0%	28.0%	60.0%	40.0%		100%
Asset Management	0.0%	27.0%	63.0%	1.5%	1.5%	7.0%	90.0%	10.0%		100%
Target Date 3-5	20.0%	3.0%	7.0%	10.5%	10.5%	49.0%	10.0%	70.0%	20.0%	100%
Target Date 5-10	0.0%	15.0%	35.0%	7.5%	7.5%	35.0%	50.0%	50.0%		100%
Target Date 10+	0.0%	22.5%	52.5%	3.75%	3.75%	17.5%	75.0%	25.0%		100%

## ONE JIB - Outcome Framework - Defined

Outcome Category	Outcome Strategy	Objective	Risk Tolerance, Liquidity	Investment Horizon	Allocation		
					Equity	Fixed Income	Cash
Cash	Cash	Preservation of Capital	Low risk; high liquidity	< 3 years			100%
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)	30%	60%	10%
Contingency	Contingency	Contributions for unexpected and infrequent events	Higher risk, emphasis on longer-term capital growth with some liquidity	> 5 years (Perpetual)	60%	40%	
	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)	90%	10%	
Target Date	Target Date 3-5 yrs.	Preservation of capital	Low risk; high liquidity	3 - 5 years	10%	70%	20%
	Target Date 5-10 yrs.	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Moderate risk, liquid	5 - 10 years	50%	50%	
	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	75%	25%	

## Glossary and Definitions for Quarterly Reports

### **Account**

ONE Investment clients have one or more custodial accounts. All Prudent Investor Funds will be administered with ONE Investment's custodian, CIBC Mellon. Unlike Legal List accounts, MNRI invested in the ONE Investment Prudent Investor Funds will be under the control of the ONE Joint Investment Board. In most cases, the Prudent Investor clients will have multiple accounts with the custodian, with the account structure based on the investment outcomes assigned to each client. This will allow reporting to the municipal client based on the investment outcome framework.

**Annual and Annualized Returns:** please see Returns below.

### **Asset Allocation**

Asset allocation is the single biggest driver of fund returns and should be set taking into account municipal risk tolerance. Also known as asset mix, it is the combination of asset classes in a fund and is normally shown as the percentage weights in each. Example asset classes are money market, Canadian bonds, global bonds, Canadian stocks and global stocks. Each of the ONE JIB Outcomes has an associated asset allocation that is designed to be appropriate for the intended investment Outcome.

**Asset Mix:** See Asset allocation.

### **Benchmark**

The Benchmark is the standard against which investors compare their portfolio returns to understand its performance. Benchmark can be set either at the asset class level or for the overall portfolio. At the asset class level, benchmarks are usually chosen to represent the entire market; active managers seek to outperform their benchmarks by at least the amount of fees they charge.

For example, a typical benchmark for Canadian stocks is the S&P/TSX Composite Index which is calculated by Standard and Poor's (S&P) and for Canadian money market, the typical benchmark is the FTSE 182-Day Treasury Bill Index from the Financial Times Stock Exchange Group (FTSE). For a portfolio that aims to have risk halfway between these two asset classes, the total portfolio benchmark might be 50% S&P/TSX Composite Index and 50% FTSE 182-Day Treasury Bill Index.

Benchmark returns are always time weighted. (See Returns below for more detail on time weighted returns)

### **Blended Benchmark**

A blended benchmark is a benchmark that is constructed from two or more underlying benchmarks. The weights of each underlying benchmark used in a blended benchmark remain constant over time.

### **Canadian Corporate Bond Fund**

The ONE Investment Canadian Corporate Bond Fund holds short and mid-term Canadian bonds managed by MFS. Based on the benchmark duration at June 30, 2020, the permitted duration range for the Fund is 4.5 to 7.51 years. MFS aims to outperform the benchmark, which is:

- 48% FTSE Canada Universe All Government Bond Index +
- 40% FTSE Canada Short-Term Corporate A Index +
- 10% FTSE Canada Universe Corporate AAA/AA Index +
- 2% FTSE Canada 91-Day Treasury Bill Index.

### **Canadian Equity Fund**

The ONE Canadian Equity Fund holds Canadian stocks managed by Guardian Capital. Guardian aims for below-market risk, achieved with a ONE-imposed constraint on the weight of Material and Energy sectors because of the expected above-market volatility of these sectors.

### **Canadian Government Bond Fund**

This ONE Government Canadian Bond Fund holds short-term Canadian bonds managed by MFS. Based on the benchmark duration at June 30, 2020, the permitted duration range for the Bond Fund is 1.73 to 3.73 years. MFS aims to outperform the benchmark, which is:

- 95% FTSE Canada Short-Term Government Bond Index +
- 5% FTSE Canada 91-Day Treasury Bill Index.

### **Book Value**

Book value is the Unit Cost of each holding multiplied by the number of units. It represents the amount originally paid to invest in the holding and takes into account all contributions and withdrawals.

### **CAD**

This is a short form for “Canadian dollars”. Although the outcomes have exposure to foreign securities, all returns in the report reflect Canadian dollar-based returns. Foreign holdings will be impacted by movements in foreign currencies which may impact investment returns. This impact can be reduced by currency hedging strategies. The global equity exposure does not hedge currency exposure, but the global bond exposure may use hedging. The degree to which global bond exposure is hedged back to the Canadian dollar may vary and will reflect the currency hedging strategy of the external manager.



### **Consolidated Holdings**

Consolidated holdings are the aggregate value of all investments with ONE Investment. Consolidated holdings detailed in this report only reflect MNRI balances invested in ONE Investment's Prudent Investor Funds and HISA balances under the control of the ONE JIB. In certain cases, clients may hold ONE Investment Legal List portfolios or HISA which will not be reflected in consolidated holdings in this report. Additionally, 'in-kind' securities pledged to the ONE JIB will not be reflected in this report.

### **Discounts**

Certain fee discounts apply for investors in the ONE Investment Prudent Investor offering. These discounts include a 4bps discount that applies to AUM of Founding Members, and 'tier discounts' that apply for any investors with balances in excess of certain thresholds. These discounts would not apply to HISA balances but would apply to balances in Legal List portfolios (if applicable). Discounts will be rebated to the municipalities on a quarterly basis. These discounts are not taken into consideration in the performance details in this investment report.

**Distribution:** a payment of interest or dividends made by ONE Investment from a portfolio. Distributions are automatically reinvested.

### **Duration**

This statistic applies to bonds and is similar in concept to term to maturity. The difference is that duration also takes into account the size and timing of interest payments. A bond with higher coupon payments will have a shorter duration than one with the same term to maturity and lower coupon payments: the reason is that the higher-coupon bond receives more of its return earlier. The higher the duration of a bond, the higher its sensitivity to interest rate movements.

### **Fees**

Fees include all expenses involved in managing the fund: external investment manager fees, custody costs, ONE Investment's costs and administrative costs.

### **Global Bond Fund**

The ONE Global Bond Fund is an unconstrained global bond mandate managed by Manulife Asset Management. The unconstrained nature of the mandate means that the fund will contain a mix of global government, corporate and securitized debt, including emerging markets and high-yield securities. The mandate is not constrained by sector or currency. Manulife aims to outperform the benchmark, which is Bloomberg Barclays Multiverse Index Unhedged.

### **Global Equity Fund**

The ONE Global Equity Fund holds Global stocks managed by Mawer Investment Management. Mawer aims to outperform the benchmark, which is MSCI All Country World Index (ACWI). This mandate invests in both emerging and developed markets. Manager will allocate capital to the best global opportunities, which may include both large and small capitalization companies. This mandate is intended to be a broadly diversified portfolio of wealth-creating companies bought at discounts to their intrinsic values that typically employ a long-term holding period.

### **High Interest Savings Account (HISA)**

This bank account is provided by CIBC. Its very short-term nature precludes it from being considered an investment. Interest income from HISA will be reflected only in the executive summary page as will a list of HISA transitions. As the HISA product is a demand deposit, its value of his does not fluctuate daily. In this way it differs from the ONE Investment fund whose price change in response to changes in the value of underlying investments. Returns for individual accounts holding HISA will not be presented in the report beyond what is disclosed in the executive summary. HISA balances held in the Prudent Investor Offering reflect MNRI and will be under the control of the ONE JIB.

**Holdings:** the ONE Investment funds or HISA Balances held in client accounts.

### **Inception Date**

The inception is the first date that an investment was made. For each account, this will be the first time funds were transferred in; for funds offered by ONE Investment, it is the date the funds started. For ONE JIB Founders, the Inception date is July 2, 2020.

### **Income**

Income is a cash flow generated by an investment and normally includes interest on bonds and dividends on stocks. It is differentiated from capital gains, which also contribute to returns, but which are not considered income.

### **Investment Manager**

Investment managers are external firms hired by ONE Investment to create funds to our specifications. These are MFS Investment Management Canada for Canadian fixed income, Manulife Asset Management for global fixed income, Guardian Capital Group Ltd for Canadian equity, and Mawer Investment Management Ltd for global equity.

### **Market Value**

The value of an investment at current market prices, calculated by multiplying the Price (defined below) by the number of units held.



### **ONE Joint Investment Board (ONE JIB)**

The joint board established by 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 the municipality, as constituted from time to time and acting pursuant to the Terms of Reference set out in the ONE JIB Agreement.

### **Outcome**

Outcome means, in the context of the Investment Plan, the same thing as ‘solution’. 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. ONE JIB has five pre-defined basic outcomes:

**Cash:** The Cash Outcome is designed for investments with a time horizon of less than 3 years. Preservation of capital and liquidity are the highest priorities. Investments allocated to this outcome are expected to be transferred back to the care and control of the municipal treasurer when the funds are reclassified as MRI.

**Contingency:** The Contingency outcome is designed for investing contingency reserves. The funds in this outcome may be drawn upon to meet unexpected needs and infrequent events. The investment horizon for this outcome is typically greater than 5 years, with an emphasis placed on long-term growth and preservation of purchasing power is a key consideration.

**Asset Management Reserves:** The Asset Management Reserve Outcome is specifically designed for very long investment horizons with a well-defined purpose. Allocations to this Outcome are intended to generate returns to help fund asset management objectives. The long-term nature of asset management reserves allows this Outcome to emphasize long-term growth.

**Stable Return:** The Stable Return Outcome is designed to provide an annual income while preserving the value of the principal investment. The principal amount is often invested in perpetuity with no intent to withdraw for the foreseeable future. This outcome is frequently used by municipalities looking to replace the income stream of a utility that has been sold, with some or all proceeds of the sale acting as the principal.

**Target Date:** The Target Date Outcomes are designed for contributions toward planned capital projects. There are three target date designs for different time horizons: 3 to 5 years; 5 to 10 years; and greater than 10 years. For capital projects in the 3-to-5-year range, preservation of capital is prioritized. For projects in the 5-to-10-year range, emphasis is placed on inflation mitigation and meeting target funding requirements. For projects in the greater-than-10-year range, emphasis is placed on longer-term inflation adjusted growth.

### **Price**

The price of ONE funds is the unit price at a point in time, also known as the net asset value, which is calculated daily by CIBC Mellon. This price takes into account the last traded prices of all securities held by the manager, the bid/ask spread where no recent trade is available and a daily accrual for all fees including investment management and administration.

### **Prudent Investor Standard**

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 Long-Term Funds under control of ONE JIB rather than to individual securities.

### **Quality**

This statistic refers to the creditworthiness of bonds based on ratings provided by bond rating agencies such as S&P, DBRS, Fitch and Moody's. The highest quality bonds are rated AAA and range down from there to AA, A and BBB, all of which are investment grade ratings. Ratings below BBB are considered high yield. The lower a credit rating, the higher a bond's yield to maturity and commensurate risk of default on interest payments or principal. The credit rating on an entire fund is calculated as a weighted average.

### **Realized and Unrealized Gains**

Capital gains reflect the movement in the Price of investments as they rise over time relative to their average Unit Cost. Negative gains are losses, meaning that the Price of the units in the account is lower than the average Price paid for them (Unit Cost). Because gains / losses are calculated based on net asset values, they are diminished by the amount of fees. (Please see Fees, Price and Unit Cost.)

- **Unrealized gains** exist "on paper" until the investment is sold in return for cash, at which point they become realized.
- **Realized gains** are generated by withdrawals from accounts during the time period in question based on the unit Price compared to the Unit Cost.

### **Returns**

Returns measure the percentage increment in value generated by investments over a period of time. Unless otherwise noted, time-weighted total returns are reported here, which include all forms of income and capital gains. There are different aspects to return calculations explained below.

- **Annual return:** reflects the total return generated by investments in the specified year any between January 1 to December 31.
- **Annualized return:** the total return generated by investments in periods greater than one year. Annualized returns are the geometric average over a multi-year period, meaning they represent the compound return. For periods of one year or less, the actual return is shown without the effect of compounding.

- Returns in this report are calculated net of fees based on the Prices of the ONE Investment funds. These are calculated daily by CIBC Mellon and take into account all fees and costs associated with managing the fund.
- Return details in this report do not account for fee discounts that may apply for some Prudent Investor clients.
- Time-weighted returns: returns in this report are time-weighted in order for them to be compared to the benchmarks. Time-weighted returns are calculated in a way that excludes the effect of the timing of contributions and withdrawals (cash flows) from the fund. (To capture the effect of cash flows and measure their impact on returns, investors would instead need use dollar-weighted return calculations.)

**Unit Cost:** the weighted average Price paid for all the Fund units held in the account and reflects the impact of units bought and sold over time.

**Unrealized Gains:** Please see Realized and Unrealized Gains

**Value Added:** The return generated by an investment manager above (or below, if negative) the benchmark.

**Year to Date:** The time period beginning January 1 and ending at the most recent quarter end.

***Calculation notes and disclosures***

*Certain numbers displayed in this report have been rounded up or down. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown. All percentage changes and key figures were calculated using the underlying data.*

*The column labeled "Change in Market Value" in the quarterly report is inclusive of unrealized capital gains in the period and reinvested capital gains distributions. Capital gain distributions only occur in the fourth quarter of the calendar year. The details of distributions are elaborated in greater detail in the year-end supplemental report.*

*Investment commentaries included in this reporting package were based on reports provided by the external managers. The text may reflect wording directly from the external managers and may also include interpretations and analysis provided by ONE Investments staff.*