



REPORT

To: ONE Joint Investment Board
From: Evelyn Foo, Chief Compliance Officer, ONE Investment
Date: November 27, 2024
Re: Compliance Reports Asset Class and Target Weight Allocations Q3 2024 and OCIO Allocation Report
Report: ONE JIB 2024-060

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 for the Prudent Investor funds. PH&N International (PH&N) is providing one report which displays the allocation weights for the holdings under the Outsourced Chief Investment Officer offering.

3. BACKGROUND

The portfolio management system generates reports to monitor allocation weights for the ONE Investment Prudent Investor Funds

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, 2024. 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

The 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 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 the target by more than two percentage points. The “10% above Target” shows values when the weight of a holding as a proportion of the target weight is at least 10% above or below the target weight.

PH&N’s system produces a report to monitor allocation weights under the Outsourced Chief Investment Officer (OCIO) offering

This Allocation report (Attachment 3) is like the current Allocation Drift Monitoring Report and will be provided for each municipality’s investment profile. It will eventually replace the Allocation Drift Monitoring report once all the investors in the Prudent Investment funds have moved over to the OCIO. The column on the far right indicates the variance from the absolute value above or below by more than two percentage points. This report is reviewed by the Chief Investment Officer and Chief Compliance Officer on a regular basis in their oversight responsibilities.

4. ANALYSIS

Allocation weights for various Outcomes were slightly outside their intended targets for the Prudent Investor funds

Rebalancing was performed on October 8 to bring allocation weights for each Participating Municipality back to their intended target weights and within the expected tolerance bands.

Allocation weights for the OCIO offering were outside their intended targets

Currently Durham is the only municipality invested under the OCIO model. Durham’s Investment Plan included target allocations to certain funds that do not offer daily activity. MNRI has been deployed to attain the asset class weightings detailed in Durham’s Investment Plan while positions are being built in these funds that do not offer daily liquidity. The CIO and CCO have reviewed the allocations and holdings and have no concerns.

5. CONCLUSION

ONE Investment uses its portfolio management system to monitor municipal account allocations in relation to ONE JIB's Outcomes framework for the Prudent Investor funds. The Allocation report provides the ability to monitor allocations with the associated investment model under the OCIO.

The attached reports provide ONE JIB with the tools to monitor the positioning of asset classes and individual holdings relative to their intended targets.

ATTACHMENTS

Attachment 1: Allocation Drift Monitoring Report

Attachment 2: Portfolio Asset

Attachment 3: OCIO Allocation Report

Drafted by: Evelyn Foo, Chief Compliance Officer

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