



## **Attachment 3**

INVESTMENT PLAN FOR

# **Township of Central Frontenac**

EFFECTIVE DATE: January 13, 2025





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## DEFINITIONS

Definitions applicable to this Investment Plan can be found on the ONE Investment webpage under Education & Training / Glossary.

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## PURPOSE

As required under the prudent investor regime authorized by the Municipal Act, 2001 (Act), and Ontario Regulation 438/97 (Regulation), this Investment Plan (Plan) establishes how ONE JIB will invest the Township of Central Frontenac's Money Not Required Immediately (MNRI) as defined in section 5.2 of Central Frontenac's Investment Policy Statement (IPS).

This Plan applies to all investments controlled and managed by ONE JIB on behalf of the Township of Central Frontenac.

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## RESPONSIBILITY FOR PLAN

This Plan is the responsibility of ONE JIB, which has authorized its agent ONE Investment to exercise its administrative investment functions in accordance with the Regulation. ONE JIB oversees ONE Investment staff using procedures, reports, and regular reviews to monitor compliance with the Act, the Regulation and the Township of Central Frontenac's IPS.

ONE Investment has engaged PH&N Institutional to provide OCIO services. PH&N Institutional will be involved in the implementation of the Investment Plan, ongoing monitoring and reporting of investments and will provide ancillary services to support the OCIO Offering. PH&N Institutional is the business division of RBC Global Asset Management responsible for managing assets for Canadian institutional clients.

RBC GAM's investment professionals are committed to providing each client with investment solutions that are appropriately tailored to address the client's investment situation. This means, on the one hand, understanding macroeconomic trends and strategies and, on the other, understanding the diverse and evolving investment needs among clients.

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## INVESTMENT GOALS AND OBJECTIVES

The Township of Central Frontenac's investment needs described in its IPS provide Council's guidance to ONE JIB in determining investment allocations. Further guidance from the MCQ and dialogue with the Treasurer informs ONE JIB about Central Frontenac's current goals, objectives, circumstances, and risk tolerance, and helps direct how investment allocations will be determined. The allocation of Central Frontenac's MNRI in this Plan is consistent with the details as disclosed in Central Frontenac's IPS and MCQ. Section 5.2.1 of Central Frontenac's IPS provides specific information that characterizes the objectives for MNRI as detailed in Table 1 below:

Table 1: The investment objectives for MNRI.

Category	Objective & Risk Tolerance	Investment Horizon
General objectives for MNRI	<ul style="list-style-type: none"> <li>• Preservation of capital</li> <li>• Adequate liquidity</li> <li>• Diversification by asset class, market sector, issuer, credit quality.</li> <li>• Capital appreciation and achieving growth above the inflation rate.</li> <li>• Able to assume a higher risk profile to emphasize longer-term capital growth with some liquidity</li> </ul>	
Specific Requirements for Road 38 Reserves	<ul style="list-style-type: none"> <li>• To be used for ongoing road maintenance over time.</li> <li>• Contributions plus capital appreciation will be required to fund maintenance spending every 8 years.</li> <li>• A high growth rate is required to ensure funding sufficient to meet required spending.</li> <li>• Liquidity is not required every year. Only for planned maintenance.</li> <li>• The timing and amount required are estimated and are not known with certainty.</li> </ul>	Over 10 Years

The MNRI invested with ONE JIB will be broadly diversified by asset class, market, sector, issuer, credit quality, and term to maturity to help reduce the volatility of investment returns. Returns impact revenues and have a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation. The MNRI shall be invested to obtain a progressively higher rate of return for longer-term investment horizons, commensurate with stated risk tolerances.

A single allocation will be used that represent the initial contribution and expected annual contributions. It is hoped that the municipality will not need to draw down the initial capital, but growth on these investments would be available to funds required spending on the Road 38 Reserves. This allocation has a very long investment horizon and will utilize the Long Term / 60% Equity allocation (model F).



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## INVESTMENT PORTFOLIO

Asset allocations are typically expected to be relatively stable until the next annual review. Any contributions or withdrawals of MNRI must be communicated to ONE JIB formally as outlined in the ONE JIB Withdrawals of Money Not Required Immediately (MNRI) Policy

### 5.1 Account Structure

MNRI Investment Horizon	Risk Tolerance / Model Assigned	Final Allocation
Long Term	Long Term / 60% Equity (model F) assigned.	\$2,800,000
<b>Total</b>		\$2,800,000

#### Other considerations:

- Cashflow planning:
  - o Initial drawdown of \$4 million expected as early as 2029.
  - o Subsequent drawdowns of \$ 8 million expected every 8 years thereafter
  - o Annual contributions of \$500k anticipated every year.
  - o The above cashflow details are projections. The actual timing of spending/drawdowns and amounts may vary.
- Central Frontenac has significant contingency reserves as part of MRI, it is unlikely that MNRI will be required for unexpected contingencies
- Limited ability for the Central Frontenac to absorb spending on roads beyond amounts planned.
- Cost inflation is highly relevant for road spending.

### 5.3 Allocations

#### Long Term 60% Equity Model (F)

<b>MNRI Horizon</b>			
<b>Asset Classes</b>	<b>Minimum</b>	<b>Target Weight</b>	<b>Maximum</b>
Cash & Equivalent	0	0	10
Canadian Fixed Income	20	30	40
Global Fixed Income and Credit	0	10	20
Canadian Equities	20	30	40
Global Equities	20	30	40
<b>Total</b>		<b>100%</b>	

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## APPLICABLE ONE JIB POLICIES

The Plan adheres to the following ONE JIB Policies subject to periodic review and updating and are posted to the ONE Investment website.

- ONE JIB Responsible Investing Policy
- ONE Anti-Money Laundering Policy
- ONE Pricing Error Policy (LL & PI)
- ONE Currency Hedging Policy PI
- ONE JIB Withdrawals of Money Not Required Immediately (MNRI) Policy
- ONE JIB In-Kind Securities Policy

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## ELIGIBLE FUNDS

The eligible funds are listed under Schedule “A” of the Investment Management Agreement between RBC Global Asset Management Inc. and ONE Investment, , which may be reviewed and updated periodically.

In asset classes where more than one fund is eligible for investment, the OCIO will be responsible for determining which fund(s) to include in the client portfolio after due consideration for (1) the individual characteristics of the fund, (2) prevailing market conditions impacting the fund’s liquidity and capacity, and (3) its alignment with the municipality’s investment objectives and philosophy.

The Manager shall manage the RBC GAM Fund(s) according to the pooled fund investment mandate including the investment guidelines contained therein developed by the Manager in respect of each RBC GAM Fund (each, an “Investment Mandate”).

Asset Classes	Sub-Asset Classes	Eligible Fund Names (Schedule “A” of IMA)
	<b>Fixed Income</b>	
Cash & Equivalent	Money Market	PH&N Canadian Money Market Fund
Canadian Fixed Income	Short-Term Bonds	PH&N Short Term Bond & Mortgage Fund RBC Vision Fossil Fuel Free Short Term Bond Fund
	Universe Bonds	PH&N Bond Fund PH&N Enhanced Total Return Bond Fund RBC Vision Bond Fund RBC Vision Fossil Fuel Free Bond Fund
	Corporate Bonds	PH&N Corporate Bond Trust*
	Private Placement Corporate Debt	PH&N Private Placement Corporate Debt Fund*
	Commercial Mortgages	RBC Commercial Mortgage Fund*
Global Fixed Income and Credit	High Yield Bonds	RBC High Yield Bond Fund PH&N High Yield Bond Fund
	Global Multi-Asset Credit	BlueBay Total Return Credit Fund
	Global Bonds	RBC Global Bond Fund

	Emerging Markets Bonds	RBC Emerging Markets Bond Fund
	<b>Equities</b>	
Canadian Equities	Canadian Equities	PH&N Canadian Equity Value Fund PH&N Canadian Equity Fund RBC Vision Canadian Equity Fund RBC QUBE Canadian Equity Fund
	Canadian Low Volatility Equities	RBC Vision QUBE Fossil Fuel Free Low Volatility Canadian Equity Fund RBC QUBE Low Volatility Canadian Equity Fund
Global Equities	U.S. Equities	PH&N US Equity Fund RBC QUBE US Equity Fund
	U.S. Low Volatility Equities	RBC QUBE Low Volatility U.S. Equity Fund
	International Equities	RBC International Equity Fund PH&N Overseas Equity Fund
	Global Equities	RBC Global Equity Focus Fund RBC Global Equity Leaders Fund RBC Vision Global Equity Fund RBC Vision Fossil Fuel Free Global Equity Fund RBC QUBE Global Equity Fund
	Global Low Volatility Equities	RBC QUBE Low Volatility Global Equity Fund
Alternatives	Real Estate	RBC Canadian Core Real Estate Fund*
	Infrastructure	RBC Global Infrastructure Fund*

*\*Denotes a non-prospectus qualified fund*

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## REBALANCING

The OCIO is authorized to execute trades, as appropriate, to maintain compliance with the Investment Plan.

Rebalancing shall occur in accordance with the Participating Municipality's Investment Policy Statement and Investment Plan.

Rebalancing plans and exact timing should account for upcoming material changes that may impact the Investment Plans, such as updates to the Investment Policy Statement or the Municipal Client Questionnaire.

As appropriate, the size and frequency of trading activities shall be minimized to help reduce the administration and costs of trading.

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## IMPLEMENTATION

### *9.1 Custodian*

All marketable investments under the control and management of ONE JIB shall be held for safekeeping by ONE Investment's Custodian.

### *9.2 Transition Plan*

Timeline	Expected Transfer to JIB/ONE
January 2025	<ul style="list-style-type: none"> <li>- Treasurer liquidates current Legal List Portfolio Holdings (\$780,000) in early January.</li> <li>- Proceeds plus cash contribution remitted as MNRI to ONE JIB (\$2.8 million)</li> <li>- Funds purchased to implement the Investment Plan.</li> </ul>

If it is not possible to deploy the MNRI immediately into the allocations specified in the Investment Plan, substitute securities may need to be utilized temporarily. Additionally, there may also be circumstances where MNRI is invested in money market instruments temporarily to facilitate a smooth transition.

During the transition to the OCIO Offering, the Chair and Vice-Chair of ONE JIB may be consulted concerning any required temporary adjustment to the investment plan. The Chair and Vice-Chair of ONE JIB have discretionary power to approve temporary investments, recommended by the Sub-Investment Manager, that may not be expressly described in the Investment Plan or the Investment Policy Statement, but are in the opinion of the Chair and Vice-Chair, in the best interests of the Municipality and are entirely consistent with their fiduciary obligations to the Municipality.

### *9.3 Accommodating Cashflow needs*

Income from investments will be automatically reinvested as per the ONE Distribution Policy PI and cashflow needs of Central Frontenac are expected to be financed with the sale of units of the pooled funds. Payment of OCIO Fees and Governance fees will also be financed with the sale of investment pool units.