



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: November 27, 2024
Re: OCIO Quarterly Reporting and Analysis Q3 2024
Report: ONE JIB 2024-078

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

As part of the ongoing reporting to ONE JIB, Phillips Hager & North Institutional (PH&N) will provide a quarterly report summarizing the investment activity under the OCIO model and providing context on investment performance. This report will be one of the key documents ONE JIB receives to fully understand the investment activities of the OCIO, informing its oversight of the investment activities. The OCIO has provided a macroeconomic and capital markets commentary and a review of investment themes and activities, which has been provided as an attachment to this report. Additional details about the performance of each of the 34 funds that comprise the OCIO model will be available to ONE JIB members in the resource library.

3. BACKGROUND

ONE JIB and ONE Investment are responsible for providing oversight of the activities of the OCIO

ONE JIB's fiduciary responsibility is the control and management of the MNRI of Participating Municipalities. Ongoing oversight of the investments entrusted to the ONE JIB is required, which involves a continuing responsibility to review investment performance and to provide oversight of agents of the ONE JIB that assist in fulfilling its fiduciary responsibilities. The CIO and CCO of ONE Investment are involved in reviewing all relevant aspects of the OCIO activity and are responsible for informing the board of issues or concerns as appropriate. Any such issues or concerns that arise will be identified in subsequent OCIO Quarterly Reporting and Analysis reports.

Periodically, the CIO, CCO or OCIO may need to raise issues or request changes relating to the OCIO model

It is intended that in the future the OCIO Quarterly Reporting and Analysis report could be used to raise issues by the CIO, CCO or OCIO for further discussion by ONE JIB. This can provide a venue for discussion of operational, compliance or investment issues that require notification to ONE JIB or may require input or direction from ONE JIB. This may involve:

- The need to create or revise ONE JIB policies
- Requesting discussion and direction from ONE JIB members to respond to operational or compliance issues.
- Discussion of ideas to address operational efficiencies.
- Recommendations to add additional securities to the OCIO offering.
- This report may also serve as a venue for other ad hoc items to be raised by the CIO/CCO/OCIO for ONE JIB direction.

4. ANALYSIS

The CIO and CCO have reviewed PH&N's monthly and quarterly reporting and have not identified any concerns

The CIO and CCO have reviewed all the recurring reporting provided by the OCIO or custodian, including monthly statements of accounts, quarterly client reports, proxy voting details, and various other reports and have not identified any concerns.

Under the terms of section 8.02 of the ONE JIB Agreement, ONE Investment confirms as follows:

For the quarter ended September 30, 2024, 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 under 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.

Onboarding Durham and preparing for the transition of new and existing Participating Municipalities has been the focus

Staff activities in recent months have focused on setting up the OCIO model, onboarding Durham, transitioning the initial MNRI contributions from Durham to the OCIO model, preparing for the onboarding of three new Participating Municipalities and preparing for the transition of other 11 Participating Municipalities in the first quarter of 2025. These activities have been executed seamlessly and have proceeded without incident. There have been no issues with the onboarding, and no administrative issues or concerns have been identified.

Further work is required to develop compliance reporting and analysis to support an effective compliance regime for the OCIO model

With less than a full quarter of investment activity, it is premature for the CCO and CIO to provide a qualitative assessment of investment performance or the compliance regime. Staff efforts have been focused primarily on onboarding and setup, but further effort to enhance compliance and performance reporting will be required. The CIO and CCO will continue to work with the OCIO to build the needed reporting for this purpose.

The CIO, CCO and OCIO partner have identified items that will be addressed in 2025

The CIO and CCO have started a short list of discussion items that may require further input from ONE JIB and over time additional items that merit discussion will be identified. Table 1 provides some samples of potential discussion items that may be identified in the OCIO Quarterly Reporting and Analysis report in the future for further discussion.

Table 1 –Potential Future Discussion Items

Item	Detail	Status
Addition of 35 th fund to the Investment Management Agreement	The OCIO has suggested adding another fund to the OCIO model that with similar investment exposure to the Commercial Mortgage Fund may allow MNRI to be deployed on an expedited basis.	To be considered in 2025.
Discussion of in-kind securities policy	CIO and CCO believe that further discussion of the newly approved in-kind policy and implications for its implementation would be beneficial to ONE JIB members	Staff are reviewing the policy and will provide ONE JIB with a report on the review in 2025.
Global Benchmarks	OCIO has identified benchmarks for each fund. No benchmarks have yet been created to show how the overall mandate is performing.	To be considered in 2025.

5. CONCLUSION

A quarterly reporting package prepared by PH&N Institutional that describes the OCIO model's investment activities and offers context about investment performance has been attached to this report. This report should allow ONE JIB members to quickly review how investments managed by the OCIO have performed in the quarter. A more comprehensive report has been made available to ONE JIB members in the resource library to provide more analysis about how the individual funds in the OCIO offering have performed.

In the future, this report may be used to identify items that merit further discussion by ONE JIB. The CIO, CCO or OCIO could identify topics that may require feedback or approval of ONE JIB members to help improve reporting, address operational concerns, or address any ad hoc issues. Examples of potential discussion items have been provided in the

report.

As part of their ongoing reporting responsibilities to ONE JIB, the CIO and CCO should review the regular reporting provided by the OCIO and provide oversight of investment activity. This review has verified that there have been no issues with the onboarding of the first OCIO client, and no administrative issues or concerns have been identified. The CIO and CCO may be able to provide a more qualitative assessment of investment performance and the compliance regime in the future and hope to develop additional reporting to enhance their oversight.

ATTACHMENTS

Attachment 1: OCIO Quarterly Investment Report.

Attachment 2: PH&N Presentation – Q3 2024 OCIO Performance

Drafted by: Keith Taylor, CIO; Evelyn Foo, CCO

Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEOs, ONE Investment