



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: February 25, 2025
Re: OCIO Quarterly Reporting and Analysis Q4 2024
Report: ONE JIB 2025-013

1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve the PH&N Mortgage Pension Trust for use in the Prudent Investor Offering.
2. Approve using the PH&N Mortgage Pension Trust as a substitute for the Commercial Mortgage Trust, as needed, to expedite achieving the desired investment exposure.

2. SUMMARY

PH&N Institutional (PH&N) has provided a report detailing the investment activities under the OCIO Offering for the fourth quarter of 2024. The report provides a thorough analysis of investment performance, allowing ONE JIB members to understand the OCIO's investment strategies and positioning. The report provided in attachment 1 to this report:

- Provides macroeconomic and capital markets context
- Summarizes investment performance
- Reviews key investment themes and activities.

Furthermore, ONE JIB members will have access to additional performance metrics for each of the funds comprising the OCIO Offering through the resource library.

The CCO and CIO have reviewed the reporting and have no concerns but may wish to enhance compliance and performance reporting in the future. The recommendation to consider using PH&N Mortgage Pension Trust as a substitute security for the Commercial Mortgage Trust in OCIO Offering may be discussed in the OCIO Presentation.

3. BACKGROUND

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

ONE JIB holds fiduciary responsibility for managing the money not required immediately

(MNRI) of Participating Municipalities. This mandate requires ongoing oversight of investments, including regular performance reviews and supervision of agents assisting with fiduciary duties.

The Chief Investment Officer (CIO) and Chief Compliance Officer (CCO) of ONE Investment are responsible for reviewing OCIO activities and reporting significant issues to the board. Any concerns will be documented in the OCIO Quarterly Reporting and Analysis report (this report), ensuring transparency and accountability of the OCIO's activities.

Periodically, issues raised by the OCIO, CIO or CCO may require discussion or input from ONE JIB

This OCIO Quarterly Reporting and Analysis report may be used for the CIO, CCO, and OCIO to communicate issues or to engage ONE JIB to provide direction. This may involve discussions about operational challenges, compliance issues, issues arising from investment implementation, security substitutions and other matters that may improve the efficiency and promote the smooth operation of the OCIO Offering.

By keeping ONE JIB informed of emerging issues, potential risks, and strategic considerations, the report ensures that board members remain fully apprised of all relevant developments and are positioned to provide timely guidance or intervention as needed. As appropriate, this report may also serve as a venue for other ad hoc items to be raised by the CIO/CCO/OCIO for ONE JIB discussion or 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 and custodian, including monthly statements of accounts, quarterly client reports, proxy voting details, and various other reports, and have not identified any concerns.

ONE Investment, as ONE JIB's agent has an ongoing obligation to confirm to ONE JIB that all Participating Municipalities MNRI is invested in accordance with the ONE JIB approved Investment Plan. Since inception, this confirmation was provided in the quarterly reporting to ONE JIB. As ONE Investment transitions to the new business model, PH&N will be providing quarterly reporting that does not include this confirmation. In its place, ONE Investment staff will now confirm through this report it is has met its obligations to ONE JIB using the text found in Figure 1 below.

Figure 1 - ONE Investment Confirmation

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

For the quarter ended December 31, 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.

The fourth quarter represents the first full quarter of reporting under the OCIO Offering

The fourth quarter represents the first full quarter of reporting under the OCIO Offering, allowing the CCO and CIO to review the available compliance and performance reporting. The OCIO has developed standard reports that can be provided on a timely basis. While this reporting is currently only for one client, Durham Region, it provides a template for the reporting for the remaining Participating Municipalities that will be available for the first quarter of 2025.

The CCO continues to work with the OCIO to enhance the compliance reporting for the OCIO Offering

The CCO has been working with the OCIO to ensure that the compliance reporting is appropriate considering the intended oversight regime. Not all expected deliverables have been satisfied yet, but the CCO continues to work towards fulfilling the expectations documented in the ONE Investment compliance manual. Operational limitations could require adjustments to the expected deliverables, which may require more discussion and guidance from the Audit Committee.

The OCIO has refined the quarterly and annual reporting packages for Participating Municipalities

The OCIO has made additional reports available to improve client reporting and ensure the necessary details are available for municipal finance staff. This has included providing some reports in Excel format, allowing staff more flexibility to analyze and arrange the data according to their needs. Further feedback from Participating Municipalities and/or ONE JIB members may help inform further improvements.

The OCIO has proposed substituting the PH&N Mortgage Pension Trust for the Commercial Mortgage Fund to gain similar investment exposure on a more expedited basis

Building a position in the Commercial Mortgage Fund has proceeded slowly. The OCIO has suggested using a similar security to build the desired exposure more quickly. Due to the illiquid nature of mortgage investments in the fund and a large allocation required

(Durham’s intended position is \$180 million), building the intended position is taking considerable time. Allocations will also be needed for the other Participating Municipalities transitioning to the OCIO Offering.

The OCIO has recommended that the PH&N Mortgage Pension Trust be used as a substitute security for the Commercial Mortgage Trust, as needed. The Mortgage Pension Trust would be a new fund offering—it is not one of the 34 funds previously approved for the OCIO Offering.

This would help Participating Municipalities achieve the desired investment exposure more quickly. This substitution would provide an alternative way to gain exposure to the mortgage market, and would provide improved liquidity, which would be particularly relevant considering the size of the positions being built. In this trust, the investment team emphasizes shorter-term amortization periods in conjunction with the use of mortgage bonds and commercial mortgage-backed securities. The Fund is actively managed using interest rate, credit and liquidity strategies. The OCIO presentation will elaborate on this recommendation. Further details about the PH&N Mortgage Pension Trust have been made available to ONE JIB members in the resource library.

The CIO, CCO, and OCIO partner have identified other items that may require further discussion in 2025

The CIO and CCO maintain a short list of items that merit discussion and may be the subject of staff reports at future ONE JIB meetings. Table 1 provides some of these potential topics.

Table 1 – Potential Future Discussion Items

Item	Detail	Status
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.
Potential revisions in compliance or performance reporting	Further refinements in reporting may be considered, as needed, to ensure the information is tailored to the needs of municipal clients.	To be considered in 2025.
Investment and reporting solutions for sinking funds	This is a new consideration for the ONE JIB that will need to be designed to address known client needs.	To be considered in 2025.

5. CONCLUSION

A quarterly reporting package has been prepared by PH&N that describes the investment activities related to the OCIO Offering and offers context about investment performance. This report, included as Attachment 1 to this report, should allow ONE JIB members to quickly review how investments managed by the OCIO have performed. 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.

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.

As part of their ongoing reporting responsibilities to ONE JIB, The CIO and CCO will continue to work with the OCIO to develop additional reporting to enhance their ability to provide oversight. This review has verified that there have been no issues with onboarding the first OCIO client, and no administrative problems or concerns have been identified.

ATTACHMENTS

Attachment 1: OCIO Quarterly Report_2024_12_31 - short

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

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