



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: May 29, 2025
Re: OCIO Quarterly Reporting and Analysis Q1 2025
Report: ONE JIB 2025-025

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

The investment manager has provided a report detailing the investment activities under the Prudent Investment Offering for the first quarter of 2025. The report presents a thorough analysis of investment performance, enabling ONE JIB members to understand PH&N's investment strategies and positioning. The report is included as Attachment 1 and:

- provides macroeconomic and capital markets context
- summarizes investment performance
- reviews key investment themes and activities.

ONE JIB members will have access to additional performance metrics for each of the funds within the Prudent Investment Offering through the resource library. Staff have reviewed the reports and have no concerns. However, compliance and performance reporting are evolving in the new business model. There are ongoing discussions about supplementary enhancements to the reporting packages, which focus on customizing them to better align with client requirements.

3. BACKGROUND

ONE JIB and ONE Investment are responsible for oversight of the activities of the Investment Manager

ONE JIB is responsible for the control and management of Participating Municipalities' MNRI. This mandate requires ongoing oversight of investments, including regular performance reviews and supervision of agents assisting with fiduciary duties. The CIO and CCO of ONE Investment are responsible for reviewing the Investment Manager's activities and reporting significant issues to ONE JIB. Any concerns will be documented in future quarterly reports, ensuring transparency and accountability.

Periodically, issues raised may require a decision by ONE JIB

In future, this quarterly report may identify issues that require direction from ONE JIB. Issues anticipated include things such as operational challenges, compliance issues, investment implementation challenges, security substitutions, and other matters that may enhance efficiency and promote the smooth operation of the Prudent Investment Offering. By keeping ONE JIB informed of emerging issues, potential risks, and strategic considerations, the report ensures that board members remain fully informed of all relevant developments.

4. ANALYSIS

No concerns have been identified in the review of monthly and quarterly reports

In the review of all the recurring reports provided by the Investment Manager and the custodian, including monthly statements of accounts, quarterly client reports, proxy voting details, and various other reports, and have not identified any concerns. As ONE JIB's agent, ONE Investment has an ongoing obligation to ensure that all Participating Municipalities' MNRI is invested according to ONE JIB's approved Investment Plans. Historically, this confirmation has been included in the quarterly reporting packages to Participating Municipalities. However, the new reporting packages no longer provide this confirmation. Instead, ONE Investment staff will now verify this reporting obligation through this report, as shown 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 March 31, 2025, to the best of the knowledge and belief of ONE Investment, all assets of the Participating Municipalities 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 each Participating Municipality.

Recent market fluctuations could lead to a notable crystallization of investment gains for clients that transitioned to the new Investment Manager in March 2025

The business transformation replicated the Outcome Allocations of nine municipalities using the Investment Manager's funds, with the intention to transition to the model portfolios at the next Investment Plan update. Consequently, two municipalities, Whitby and Huntsville, have had their investments remapped into the model portfolios. Each are dealt with under separate reports, the remaining seven municipalities will be dealt with over the course of 2025.

Given the recent volatility in capital markets, there is a significant likelihood of capital losses being realized. The option of deferring the implementation of Investment Plans has been raised. Although this might be perceived as a client-friendly action, delaying investment decisions may not align with the principles of prudent investing, and it could be challenging to justify that such an action supports ONE JIB's fiduciary duty. It is not recommended that ONE JIB delay in implementing Investment Plans currently.

Work continues with the Investment Manager to enhance compliance reporting

The CCO has engaged ONE Investment's Audit Committee in collaborating with the Investment Manager to ensure that the compliance reporting is appropriate, considering the intended oversight regime. Not all expected deliverables have been met yet, but work continues towards fulfilling the expectations outlined in ONE Investment's compliance manual. Operational limitations may require adjustments to the expected deliverables, which could necessitate further discussion and guidance from the Audit Committee. Continued progress has been achieved on this front, leading to the Investment Manager providing additional compliance attestations and supplemental reconciliations by RBC IS to ONE Investment.

The Investment Manager has provided quarterly reporting packages for Participating Municipalities and continues to enhance the reporting

The Investment Manager has made additional reports available to enhance client reporting and ensure that necessary details are accessible for municipal finance staff. This initiative includes providing reports in Excel, thereby giving staff greater flexibility to analyze and organize the data according to their needs. Furthermore, an investment dashboard that displays performance returns, fund returns, and benchmark returns is available to each client under the Prudent Investment Offering. These reports are customized for each client.

Additionally, the Investment Manager has started providing quarterly talking points to municipalities at the end of each quarter. These points summarize the key performance drivers for each client and assist treasurers in reporting investment performance to Council. Staff continue to collaborate with the Investment Manager to further revise the reporting package, ensuring that all essential details required by treasurers are included. Additional improvements may be informed by feedback from Participating Municipalities and ONE JIB.

There is an ongoing list of other items that may require further discussion in 2025

Staff are maintaining a short list of items that merit further discussion. 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; however, no benchmarks have yet been established to measure the overall mandate's performance.	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.

In the first quarter, benchmark issues were discussed internally, concluding that fund benchmarks cannot be changed, as the Investment Manager has already assigned them to the funds, which can't be changed without affecting other unitholders of the funds. Supplemental indices may be used because, in certain cases, they can provide a more robust proxy for performance for some funds than the existing official benchmarks. For client allocations, benchmarking should be established, while avoiding blended benchmarks (that is, using portfolio weights and official fund benchmarks). Instead, benchmarks based on a 'reference portfolio' that reflects the investment orientation of each allocation may be used. Under ONE JIB Report 2025-023, ONE JIB Policies Review, a proposed Policy on Principles of Good Benchmarks has been recommended for ONE JIB for approval at the May 29, 2025, ONE JIB meeting. This lays the foundation for benchmarking discussions. Further details regarding the intended approach to benchmarking and associated analysis will be discussed in the fourth quarter of 2025.

Ongoing work on compliance and investment reporting is a continuous effort, with incremental changes being achieved over time. As there have been extensive changes in the reporting for clients transitioning to the new Investment Manager, training on the new reporting format will be required to help Participating Municipalities understand the new format.

5. CONCLUSION

The Investment Manager has prepared a quarterly reporting package detailing the investment activities related to the Prudent Investment Offering, which provides context about investment performance. This will allow ONE JIB to review how the investments have performed quickly. A more comprehensive report is now available to ONE JIB members in the Resource Library, offering a deeper analysis of the performance of the individual funds in the Prudent Investment Offering. The Investment Manager will present quarterly to ONE JIB on investment performance, capital market developments, and other relevant matters concerning the Prudent Investment Offering.

As part of their ongoing reporting responsibilities to ONE JIB, the CIO and CCO will

continue to collaborate with the Investment Manager to develop additional reporting that will enhance oversight. This quarterly review has confirmed that there have been no issues with onboarding the first Participating Municipalities to the new Investment Manager, and no administrative problems or concerns have been identified.

ATTACHMENTS

Attachment 1: Investment Management Report for ONE Investment – Quarterly Commentaries

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

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