

To: ONE Joint Investment Board  
From: Keith Taylor, Chief Investment Officer, ONE Investment  
Date: September 4, 2025  
Re: Model Portfolio Review 2025  
Report: ONE JIB 2025-036

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## 1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve adding up to 10% exposure to Emerging Market equities for model portfolios where equity allocations equal or exceed 50% (i.e., model portfolios E, E+, F, F+, G and G+ as detailed in Attachment 1: Summary of Models Updated to Include Emerging Markets Exposure)
2. Approve adding the RBC Canadian Money Market Fund for use in the model portfolios to reflect the merger of the PH&N Canadian Money Market Fund into the RBC Canadian Money Market Fund and direct ONE Investment to take measures to make this fund available within the Prudent Investment Offering.
3. Approve the use of RBC Emerging Markets Equity Fund and the RBC Emerging Markets Dividend Fund for use in model portfolios and direct ONE Investment to take measures to make this fund available within the Prudent Investment Offering.
4. Approve the addition of Model Portfolio G+ to the roster of Model Portfolios.
5. Approve the 2025 constraints as shown on slide 7 of the Investment Manager's "Model Portfolio Update" presentation on September 4, 2025 (unchanged from 2024).
6. Receive the 2025 risk-return metrics for the model portfolios with and without alternatives as shown on pages 12 and 16 of the Investment Manager's "Model Portfolio Update" presentation on September 4, 2025.
7. Receive the 2025 Fund Fulfillment list on pages 25 and 26 of the Investment Manager's "Model Portfolio Update" presentation on September 4, 2025 (unchanged from 2024).

## 2. SUMMARY

ONE JIB has approved a set of investment models to guide the investment allocations of Participating Municipalities. These models are developed from analysis provided by the Investment Manager, which relies on a portfolio optimization process. Asset class

correlations, projected returns and other capital market assumptions are key inputs to this analysis. Periodically, the Investment Manager will update its capital market assumptions and review the class asset allocations, which may result in recommendations to adjust the investment allocations of the approved models. It is expected that this review will be carried out annually.

The Investment Manager will present a review of the ten investment models approved by ONE JIB. This presentation will include some recommended changes. The key changes compared to the model portfolios that ONE JIB approved on November 27, 2024, are summarized below:

| <b>Current Models</b>            | <b>Changes</b>   |
|----------------------------------|--|
| Investment Constraints           | Unchanged  |
| Capital Market Assumptions       | Updated by Investment Manager (volatility, return/risk expectations, correlations) |
| Risk/Return Attributes of Models | Updated by Investment Manager (minor changes only)                                 |
| Emerging Market Exposure         | Emerging market equities added to models with 50%+ equities                        |

### 3. **BACKGROUND**

#### **ONE JIB approved model portfolios in November 2024, which are to be reviewed annually**

On November 27, 2024, ONE JIB approved ten model portfolios, each designed to offer investment allocations that offer a range of risk and return profiles suitable for most Participating Municipalities. The Investment Manager has completed its annual review of the ten model portfolios and will present to ONE JIB the findings and proposed modifications. The summary of model portfolios with emerging markets included is found in Attachment 1 with the Investment Manager's presentation deck found in Attachment 2.

For further details about the investment models currently approved by ONE JIB, please refer to the New Products Committee Report ([10-01-24](#)), discussed at the November 27, 2024, ONE JIB meeting.

### 4. **ANALYSIS**

#### **Updated capital market assumptions make appropriate adjustments to reflect changes in the investment outlook**

The Investment Manager will present updated capital market assumptions in the upcoming presentation. These updates have resulted in modest adjustments to the risk-return profile of the model portfolios, reflecting shifts in the economic landscape and evolving market conditions. The slightly lower return expectations for Canadian equities and fixed income are driven by slower growth forecasts, prevailing interest rate environments, and increased market uncertainties specific to Canada. Although the Investment Manager has marginally

increased the assumed returns for US equities, these projections remain notably lower than those for Canadian equities, reflecting the significantly higher valuations of US stocks. Overall, these updates provide a realistic and balanced outlook on risk and return. The assumptions and revisions are appropriate within the context of the changing capital market outlook. The revisions have led to return assumptions for each model portfolio that are approximately 40 basis points lower than those presented to ONE JIB in November 2024. Changes to return and volatility assumptions were modest and did not result in recommended adjustments to allocation weights.

### **The addition of emerging markets to models will further enhance diversification**

The presentation will also discuss the proposed addition of emerging market equities to models with more than 50% equity exposure. The Investment Manager is suggesting the addition of the RBC Emerging Markets Equity Fund and the RBC Emerging Markets Dividend Fund. This change is expected to enhance diversification and slightly improve the risk-adjusted returns of models with higher emerging market allocations. Currently, the international equity exposure in the model portfolios focuses on developed markets in Europe, Australasia, and the Far East. Emerging market equities offer a different geographic footprint and should have distinct performance drivers compared to the existing international market exposure. Adding emerging markets should therefore enhance the diversification benefits in client portfolios. Given the relatively small size of the emerging market allocation, its inclusion is not expected to significantly alter the overall risk-return profile of the model portfolios.

### **PH&N Canadian Money Market Fund will merge into the RBC Canadian Money Market Fund in November**

On August 13, 2025 RBC GAM [announced](#) that the PH&N Canadian Money Market Fund will merge into the RBC Canadian Money Market Fund in November. RBC GAM is merging funds to streamline its money market fund offerings. RBC GAM currently has multiple money market funds with overlapping mandates. Going forward, RBC GAM will have one option for each type of money market fund: Canadian T-Bill fund, Canadian money market fund, and U.S. dollar money market fund. The RBC fund is very similar to the PH&N Institutional fund in terms of performance, exposures, and overall structure. Both funds have delivered similar long-term returns. On an annualized basis over the past 10- and 15- years ending June 30, 2025, the PH&N CMMF earned 2.09% and 1.78%, respectively. Similarly, the RBC Canadian Money Market Fund earned 2.15% and 1.82% over the same periods. There is no impact on fees or fund expenses. The RBC Canadian Money Market Fund is a larger fund, with \$8.1 billion in AUM, compared to \$3.5 billion for the PH&N Canadian Money Market Fund.

## **5. CONCLUSION**

Performing an annual review of model portfolio allocations, including updating capital market risk/return assumptions, helps ensure the model portfolios reflect changing market conditions and remain a prudent way to achieve the investment goals of Participating Municipalities. The Investment Manager is expected to update its model portfolio analysis

annually and present the findings to ONE JIB for approval, which may result in revisions to the allocations.

## **ATTACHMENTS**

Attachment 1: Summary of Models Updated to Include Emerging Markets Exposure

Attachment 2: Model Portfolio Update

Drafted by: Keith Taylor, Chief Investment Officer

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