



# REPORT

To: ONE Joint Investment Board  
From: Keith Taylor, Chief Investment Officer, ONE Investment  
Date: September 14, 2021  
Re: Compliance Reports: Asset Class and Target Weight Allocations - Q2 2021  
Report: ONE JIB-004-21

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## 1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive this report.

## 2. SUMMARY

ONE Investment is providing two internal compliance reports to assist the ONE JIB in monitoring the weights of investment holdings and asset classes relative to their targets.

## 3. BACKGROUND

### **The portfolio management system generates reports to monitor allocation weights**

The compliance reports generated by ONE Investment's portfolio management system show the positioning of all investment Outcome accounts of Participating Municipalities relative to Target Weights as of June 30, 2021. These two compliance reports can be found in Appendices 1 and 2 to this report. These reports will be provided to the ONE JIB on a quarterly basis. The reports were initially introduced to the ONE JIB on May 11, 2021, in ONE JIB Report # 21-028, which provides further explanation of their use.

## 4. ANALYSIS

### **The Portfolio Asset Mix Report shows asset class weights relative to tolerance bands**

Each Outcome has tolerance bands for each asset class (Cash/Equity/Fixed Income) that specify a target weight for the asset class, along with minimum and maximum weights. The Portfolio Asset Mix Report identifies when the asset class weights are above the maximum weights or below the minimum weights.

### **The Allocation Drift Monitoring Report highlights significant deviations between holding weights and target weights**

The Allocation Drift Monitoring report (Appendix 2) shows the degree to which the weights of

individual holdings (Funds or HISA allocation) differ from the target weights assigned in the Investment Plan. It is used primarily to guide the semiannual rebalancing of the Outcomes, as needed, but the Chief Investment Officer (CIO) and Chief Compliance Officer (CCO) monitor this report on a regular basis as part of their portfolio oversight responsibilities. The two columns on the far-right help highlight when allocation weights have moved notably away from target weights. The “2% Drift from target” column shows values when the absolute weight of a holding is above or below target by 2%. The “10% above Target” shows values when the weight of a holding as a proportion of the target weight is 10% above or below the target weight.

**These two compliance reports will be provided to the ONE JIB on a quarterly basis**

These reports will be provided to ONE JIB on a quarterly basis to allow the ONE JIB to monitor the allocations and understand the positioning of the Outcome accounts relative to the asset class and holding target weights. The reports will also help the ONE JIB understand the mechanics of rebalancing the Outcome accounts. These reports should also allow the ONE JIB members to understand the quarter end positioning of the Outcome accounts and provide a basis for discussion with the CIO and CCO on the positioning of the Outcome accounts.

## **5. CONCLUSION**

ONE Investment uses its portfolio management system to monitor municipal allocations in relation to the ONE JIB’s Outcomes. The attached reports provide ONE JIB with the tools to monitor the positioning of asset classes and individual holdings within the Outcomes relative to their intended targets.

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Approved by: Judy Dezell and Donna Herridge - Co-Presidents/CEO