

INVESTMENT MANAGEMENT

VALUE STATEMENT

I expect the municipality is managing its cash effectively by investing in a manner that minimizes risk while meeting the organization's cash flow requirements and reasonable return on investment.

Investment Management

What is this Service?

Investment Management implements short- and long-term investment strategies for money market, bond and equity portfolios in accordance with provincial government legislation and the municipality's own investment policies.

Influencing Factors:

1. Legislative Constraints: Differences in provincial and/or municipal legislation which govern municipal investment policy may impact on municipal decision-making.
2. Prevailing Interest Rates and Shape of the Yield
3. Curve Cash Inflows/Outflows to Portfolio – is there new cash being added to portfolio or is the size of the portfolio shrinking?
4. Under One Year Cash Requirements – how much of portfolio has to be kept liquid?
5. Realized Capital Gains/Losses from Trading Activity
6. Amount of Funds under Investment
7. Availability of Product
8. Asset Mix (Corporate Bonds vs. Government Bonds vs. Equities)
9. Impact of “Marked-to-Market” Return - includes all aspects of investment income including realized interest and both realized and unrealized capital gains.
10. Operating Expenses - such as advisor fees, fees paid to external investment managers, custody, and legal and accounting fees and trading costs/commissions.
11. Administrative Expenses - incurred to administer the portfolio, including staff time (monitoring, performance reporting, and reconciliation), technology expenses such as Bloomberg, annual and semi-annual report production, and other general expenses.
12. Strategies Employed – active versus passive, fixed income versus balanced
13. Type of Investment Management – investment managers, brokers
14. Internal Costs – staffing, technology, general expenses
15. Professional Services Utilized – advisors, accountants, and lawyers
16. Investment Policy Constraints
 - Policy objectives - do they focus on capital preservation, liquidity needs or market returns?
 - Does the policy dictate term restrictions - by credit or for the overall portfolio?

- Does the policy allow for active management or does it restrict selling at a capital loss (which might limit a portfolio manager's propensity to take on risk)?

17. Internal Constraints

- What are risk tolerances of management and/or /Council?
- What resources are there available to help manage the investment portfolio (i.e. staffing, systems, information sources, internal controls, etc.) ?
- Are there adequate internal controls and monitoring systems in place to oversee investment activities?

18. Municipal-specific Needs

- Reserve availability (operating and capital) and their obligations - how much money is on hand and how long is it available for? How reliable is the cash flow analysis and how often is it updated?
- Has the municipality instituted a capital asset replacement strategy and determined the impact on the investment horizon of the portfolio?
- What is the debt profile of the municipality? How does the reserve and/or investment strategy impact the municipality's borrowing program?

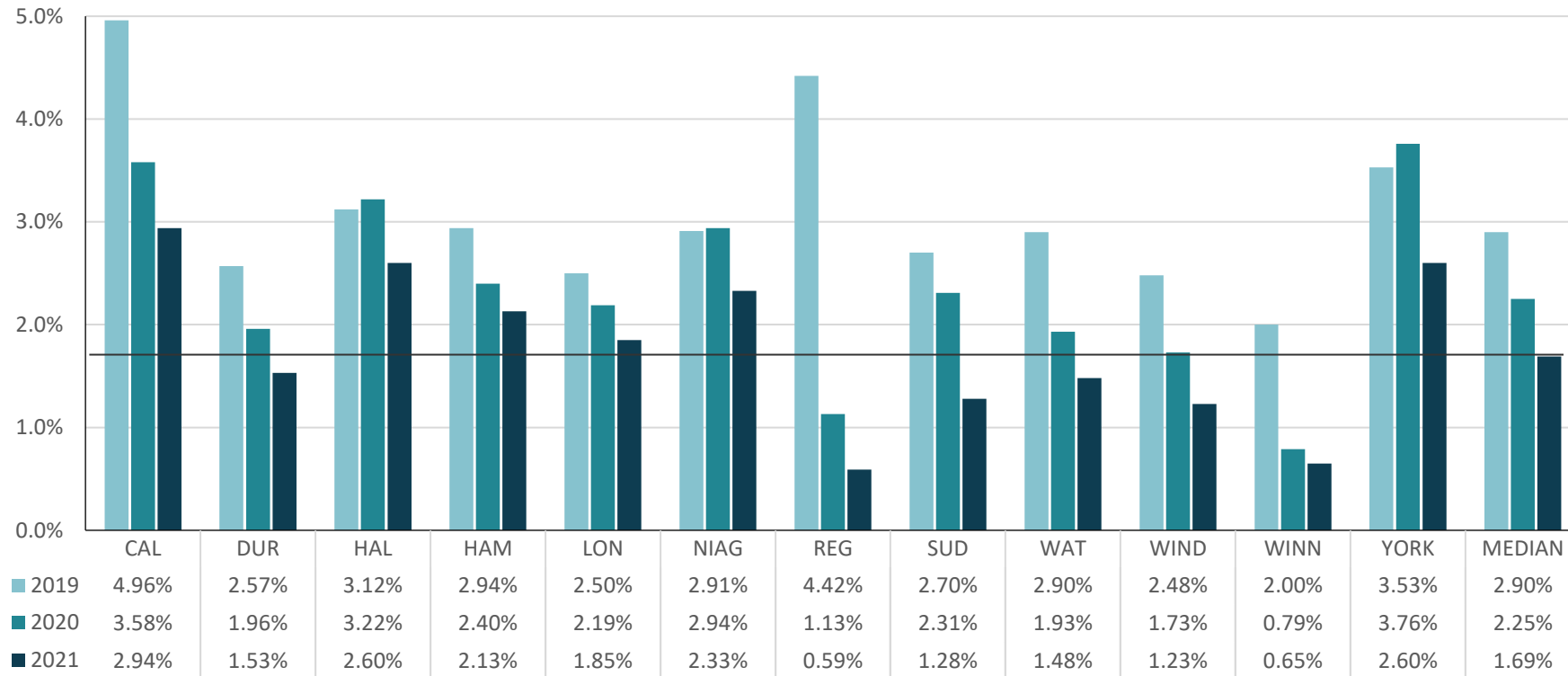
Extenuating Circumstances:

- **COVID-19 Pandemic:** Service delivery for most municipalities in 2020 and 2021 was not impacted despite the COVID-19 transitional issues (e.g., working from home), but changes in the market yields did have some impact on the rate of return-on-investment portfolios.

Investment Management

INVT310 - Gross Percent Realized Return on the Total Investment Portfolio (based on the Average Adjusted Book Value)

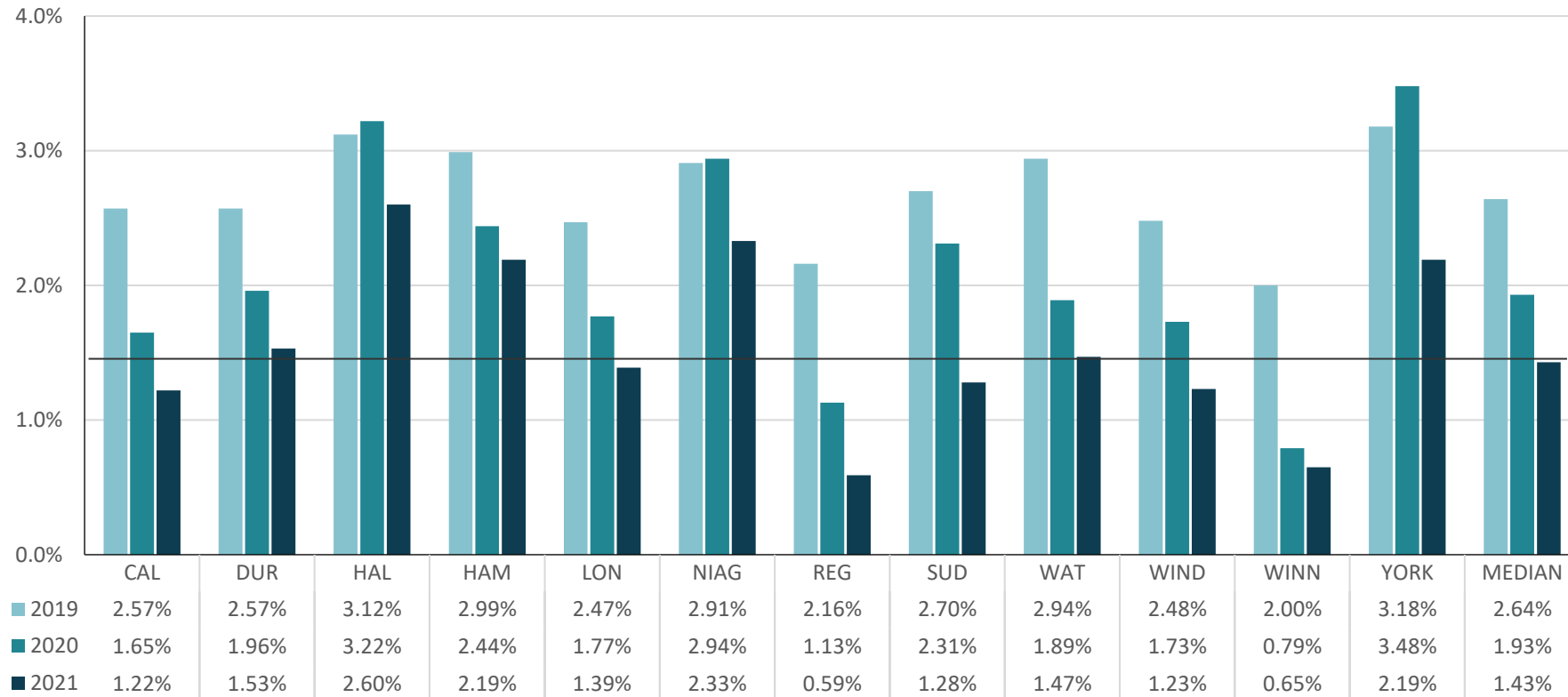
This measure is based on the Average Adjusted Book Value and refers to the General Investment Fund only. Sinking funds, pension funds, and trust funds are excluded. NOTE: In 2020 and 2021, declining interest rates due to COVID resulted in lower rates of return and impacted municipal investment decisions.



Investment Management

INVT312 - Gross Percent Realized Return on the Total Internally Managed Investment Portfolio (Based on the Average Adjusted Book Value)

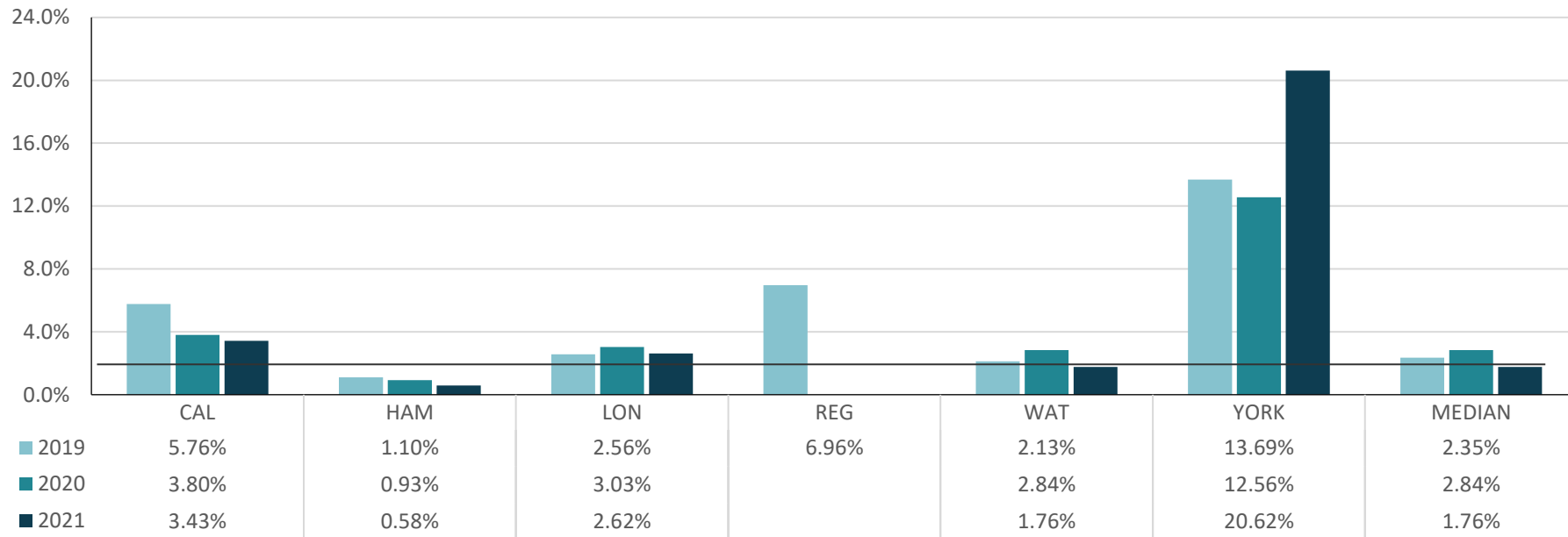
This measure is based on the Average Adjusted Book Value and represents the General Investment Fund. Sinking funds, pension funds, and trust funds, etc. are excluded. In 2020, lower prevailing market interest rates and increased liquidity requirements resulting from uncertainties due to COVID-19 led to lower rates of return and impacted municipal investment decisions.



Investment Management

INVT314 - Gross Percent Realized Return on the Total Externally Managed Investment Portfolio (Based on the Average Adjusted Book Value)

This measure is based on the Average Adjusted Book Value and includes the General Investment Fund only (cash, fixed income and equity investments); and excludes all other investment portfolios.



Durham, Halton, Niagara, Sudbury, Winnipeg and Windsor: Do not have externally managed portfolios.

Calgary: In 2019, previously unrealized gains were realized which contributed to higher income.

Regina: Did not have an externally managed portfolio in 2020 or 2021.

York: 2021 gains reflect increased value in equity markets.