

# INVESTMENT MANAGEMENT



## VALUE PROPOSITION

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

KEEP IN MIND:

## Influencing Factors

Influencing factors can create variances in comparison data from year-to-year and from municipality-to-municipality.



### Economic Conditions

*Local economy, unionization, state of assets, interest rates, shape of the yield curve and/or availability of product*



### Geography

*Population, density and land mass*



### Government Structure

*Single-tier vs. Upper-tier municipalities*



### Organizational Form

*Department reporting structure*



### Policy & Practices

*Accounting, investment objectives, municipal life stage, investment constraints and cash inflows/outflows to portfolio*



### Provincial Legislation

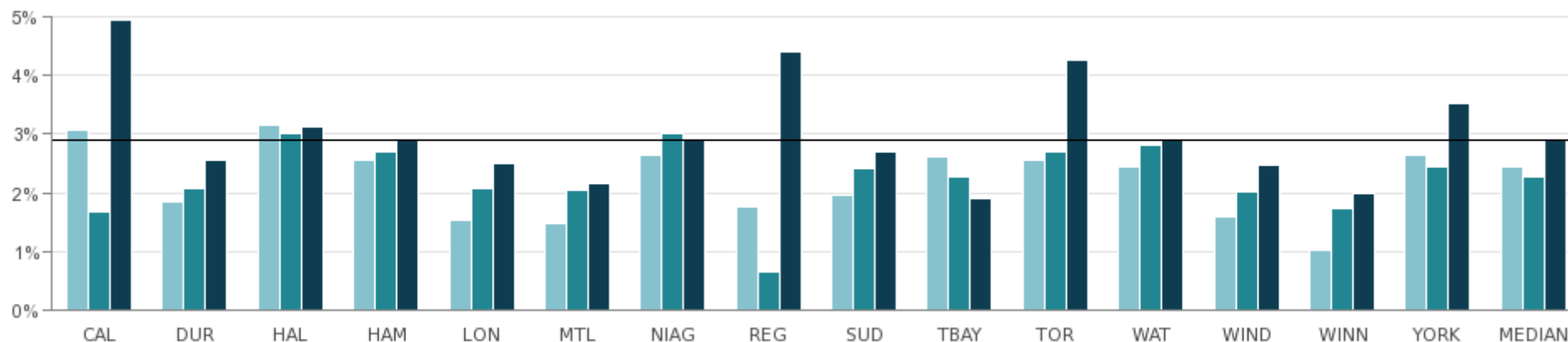
*Varies between provinces resulting in different constraints to investment options*

*For a full description of influencing factors, please go to: [www.mbncanada.ca](http://www.mbncanada.ca)*

# Investment Management

**Figure 16.1 Gross Percent Realized Return on the Total Investment Portfolio**

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.



2017	3.07%	1.84%	3.15%	2.57%	1.54%	1.47%	2.64%	1.75%	1.96%	2.60%	2.56%	2.45%	1.58%	1.03%	2.64%	2.45%
2018	1.67%	2.07%	3.02%	2.69%	2.07%	2.03%	3.02%	0.65%	2.41%	2.28%	2.70%	2.82%	2.02%	1.73%	2.43%	2.28%
2019	4.96%	2.57%	3.12%	2.94%	2.50%	2.17%	2.91%	4.42%	2.70%	1.89%	4.27%	2.90%	2.48%	2.00%	3.53%	2.90%

Source: INVT310 (Efficiency)

Calgary, London, Toronto: Increase due to higher returns on externally managed portfolios. (See Figure 16.3).

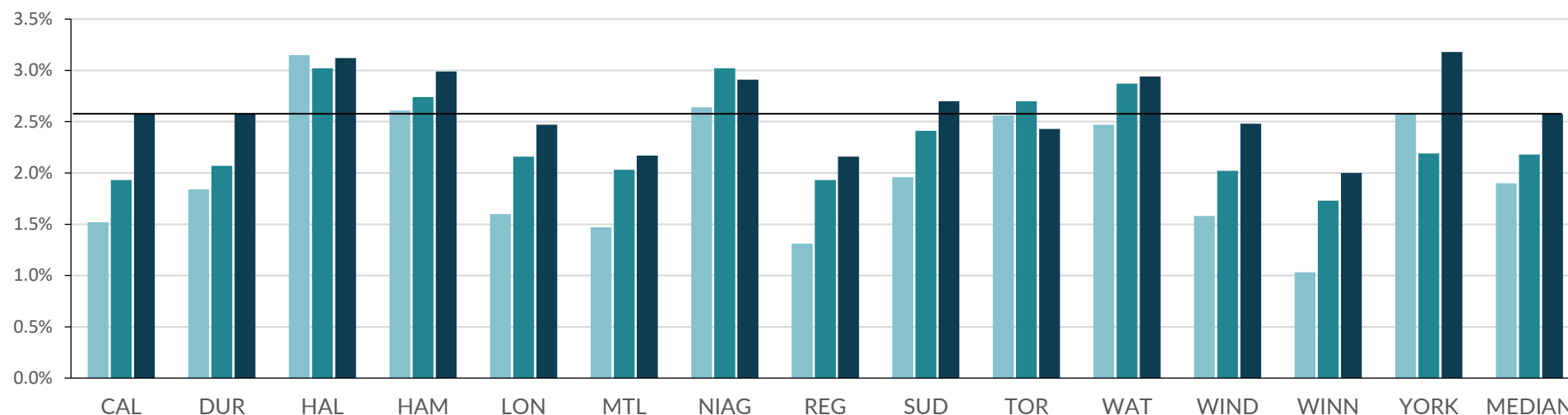
Regina: In 2019, the City liquidated bond fund portfolio reversing 2018 valuation of portfolio and earning gains from sale.

York: In 2019, there was a greater opportunity to realize capital gains due to falling interest rates.

# Investment Management

**Figure 16.2 Gross Percent Realized Return on the Total Internally Managed Investment Portfolio**

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.



Year	CAL	DUR	HAL	HAM	LON	MTL	NIAG	REG	SUD	TOR	WAT	WIND	WINN	YORK	MEDIAN
2017	1.52%	1.84%	3.15%	2.61%	1.60%	1.47%	2.64%	1.31%	1.96%	2.56%	2.47%	1.58%	1.03%	2.57%	1.90%
2018	1.93%	2.07%	3.02%	2.74%	2.16%	2.03%	3.02%	1.93%	2.41%	2.70%	2.87%	2.02%	1.73%	2.19%	2.18%
2019	2.57%	2.57%	3.12%	2.99%	2.47%	2.17%	2.91%	2.16%	2.70%	2.43%	2.94%	2.48%	2.00%	3.18%	2.57%

Source: INVT312 (Efficiency)

Calgary: Increase in 2019 is largely attributed to intentional selection of a longer term to maturity, credit exposure and the illiquidity premium received on the term deposits held.

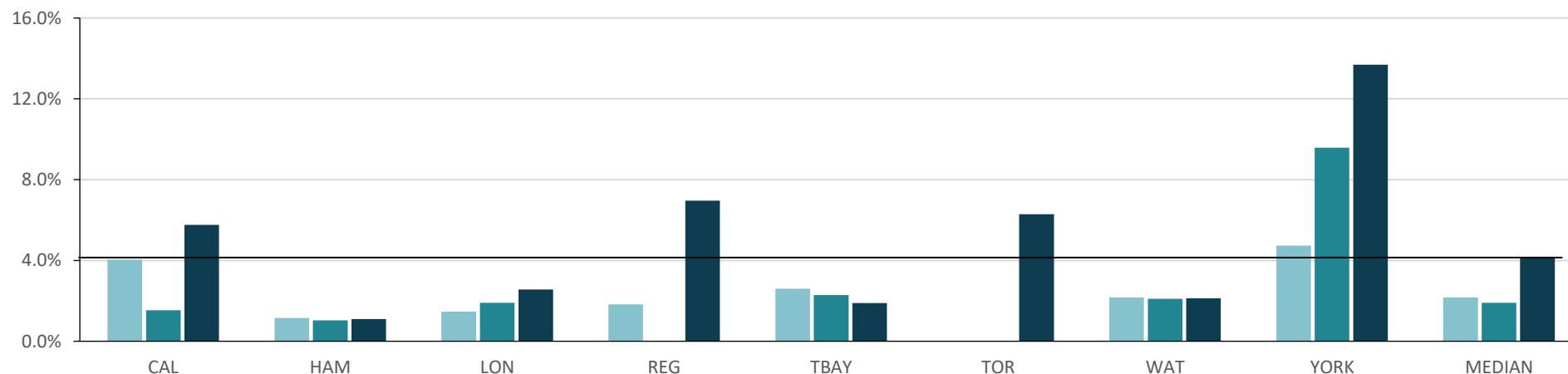
Thunder Bay: Does not have an internally managed portfolio.

York: In 2019, there was a greater opportunity to realize capital gains due to falling interest rates.

## Investment Management

**Figure 16.3 Gross Percent Realized Return on the Total Externally Managed Investment Portfolio**

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.



2017	4.04%	1.15%	1.47%	1.83%	2.60%	N/A	2.17%	4.74%	2.17%
2018	1.54%	1.03%	1.90%	0.00%	2.28%	N/A	2.10%	9.58%	1.90%
2019	5.76%	1.10%	2.56%	6.96%	1.89%	6.29%	2.13%	13.69%	4.16%

Source: INVT314 (Efficiency)

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

Regina: Regina liquidated bond fund portfolio reversing 2018 valuation of portfolio and earning gains from sale.

Toronto: 2019 was the first year the City reported on this measure. Starting in 2019 a portion of the City's investments have been transitioned to external managers.

