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# Municipal Investing Overview

Municipality of Arran-Elderslie

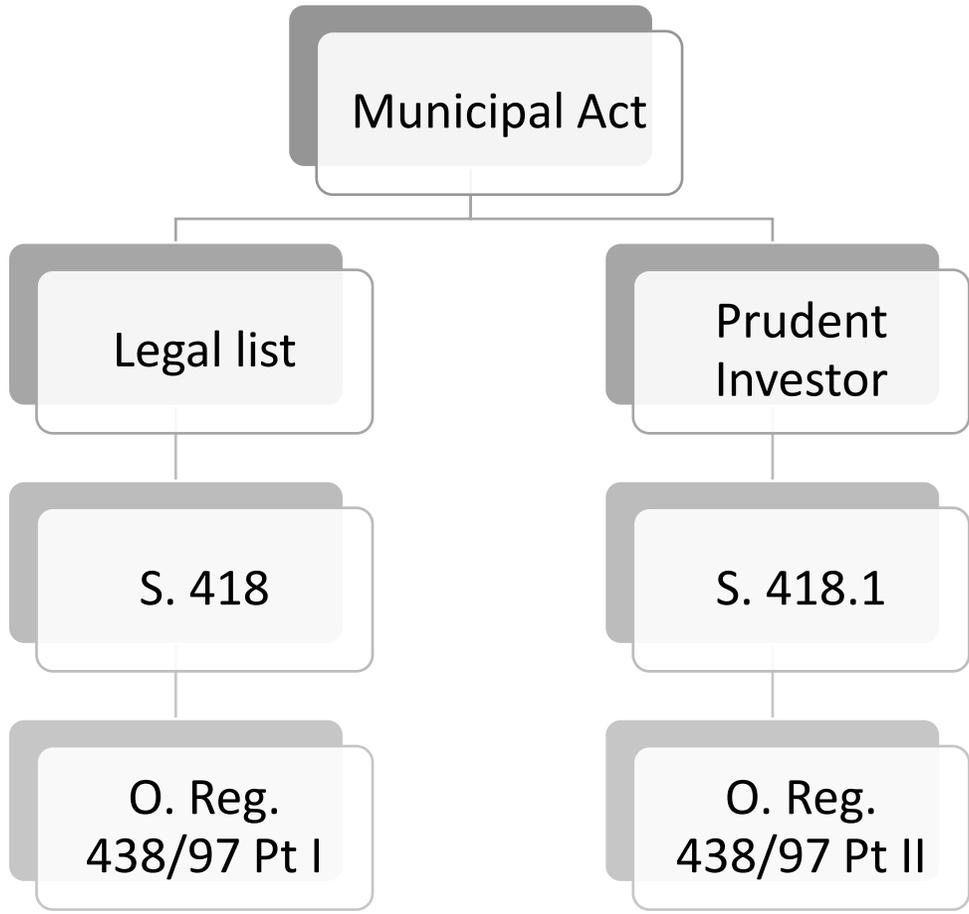
December 11, 2023

# AGENDA

- Brief overview of Municipal Investing under the *Municipal Act*
- Who is ONE Investment and what can we offer?

# INVESTING UNDER THE MUNICIPAL ACT

# INVESTMENT LEGISLATION AND REGULATION



# LEGAL LIST

- Management of investments is under the control of the Treasurer.
- It is up to the Municipality to ensure compliance with the Municipal Act
- Limited investment products available, 100% Canadian.
  - Bank Accounts, GICs, Government Bonds, Corporate Bonds, Equities etc.
    - Note: Canadian Corporate Bonds (over 5 years) and Canadian Equities are only available through ONE Investment.

# WHAT IS PRUDENT INVESTOR?

- Allows municipal access to investment products beyond the ‘legal list’
  - more diversified portfolio, including international exposure (global bonds and equities).
- An Investment Board (IB) or Joint Investment Board (JIB) is given control and management of the municipal investments (as defined by the municipality)
- Any municipal funds that fall outside of their definition of long-term money will remain under Legal List, and under Treasurer’s control.
- There are required steps to become a Prudent Investor:
  - Council must approve an Investment Policy Statement including municipal objectives for return on investment, risk tolerance, and definition of “money not required immediately”
    - Policy must be reviewed annually
  - Council must adopt a by-law under 418.1 (2) of the *Municipal Act*, and join an existing JIB
    - or set an Investment Board (IB) - there are restrictions

# PRUDENT INVESTING

**Prudent Investor turnkey solution available through ONE Investment**

Prudent Investing offers a more diverse portfolio

- Greater choice, flexibility
- Ability to adjust to changes in financial environment or needs
- Potential for better returns

Legal  
List

**Prudent  
Investor**

# WHO IS ONE INVESTMENT?

# ONE INVESTMENT OVERVIEW

- A **not-for-profit** organization dedicated to serving the investment needs of the Ontario municipal sector
- Manages \$3.1 Billion in portfolio holdings as of September 2023
- Established in 1993 and jointly operated by not-for-profits:
  - Local Authority Services 
  - CHUMS *(a subsidiary of MFOA)* 
- Oversight provided by municipalities and investment industry experts
- 40% of Ontario municipalities and 19 Municipal Boards, Conservation Authorities and other Public Sector Entities invest through ONE
- ONE JIB (Joint Investment Board) was established in May 2020 to offer a Prudent Investor option to municipalities.

# GOVERNANCE

- Activities are governed by the ONE Investment Board, which oversees policy, financial decisions and general administrative functions
  - 9 municipal representatives and 1 industry expert
- Additional oversight provided by
  - Peer Advisory Committee (PAC) - comprised of municipal representatives
  - Investment Advisory Committee (IAC) - comprised of investment sector experts and legal representatives

# WHO INVESTS WITH ONE

Combined Legal List and Prudent Investor Investment by Municipal Population (at Sept 30, 2023)					
Population	Participants	% Investors	Investment		% of Total Investment
			Avg. Per Municipality	Total	
N/A	19	10%	\$ 6,772,791	\$ 128,683,030	4.22%
Less than 5,000	54	28%	\$ 1,960,273	\$ 105,854,758	3.47%
5,001 to 25,000	67	34%	\$ 5,503,095	\$ 368,707,379	12.08%
25,001 to 50,000	17	9%	\$ 23,618,428	\$ 401,513,281	13.16%
50,001 to 100,000	12	6%	\$ 38,088,641	\$ 457,063,692	14.98%
100,000+	26	13%	\$ 61,128,298	\$1,589,335,757	52.09%
<b>Totals</b>	<b>195</b>	<b>100%</b>		<b>\$3,051,157,900</b>	<b>100.00%</b>

# INVESTMENT ADVISORY SERVICES

- In 2019 ONE Investment received an exemption from the Ontario Securities Commission (OSC) that allows it to provide investment advice
- ONE Investment staff include:
  - CFA Charter holder who can provide advice on investment policies and appropriate asset allocations
  - A municipal finance expert that can assist with investment policy development and other requirements.
- Combined they can help you build investments into a capital financing strategy and portfolio structure.

# ONE INVESTMENT PORTFOLIOS / FUNDS

- Professional Fund Management
- Diversification
- Investment Flexibility & Liquidity
- Performance Reporting
- Investment Oversight
- **Regulatory Compliance Guarantee**

# LEGAL LIST - PORTFOLIO OPTIONS

Five fully liquid portfolios with no minimum investment term or amount:

- High Interest Savings Account: **1+ month** investments (Short Term)
  - Canadian Government Bond: **18 Months to 3 Years** (Short to Medium Term)
    - Canadian Corporate Bond: **4+ Years** (Medium Term)
    - Canadian Equity: **5+ Years** (Long Term)

Canadian equities and corporate bonds with maturities > 5 years are available only through ONE Investment as per the Municipal Act Eligible Investment regulation.

# SHOULD YOU INVEST IN EQUITIES?

## Equity Investment: Long Term History (January 1956 to May 2019)

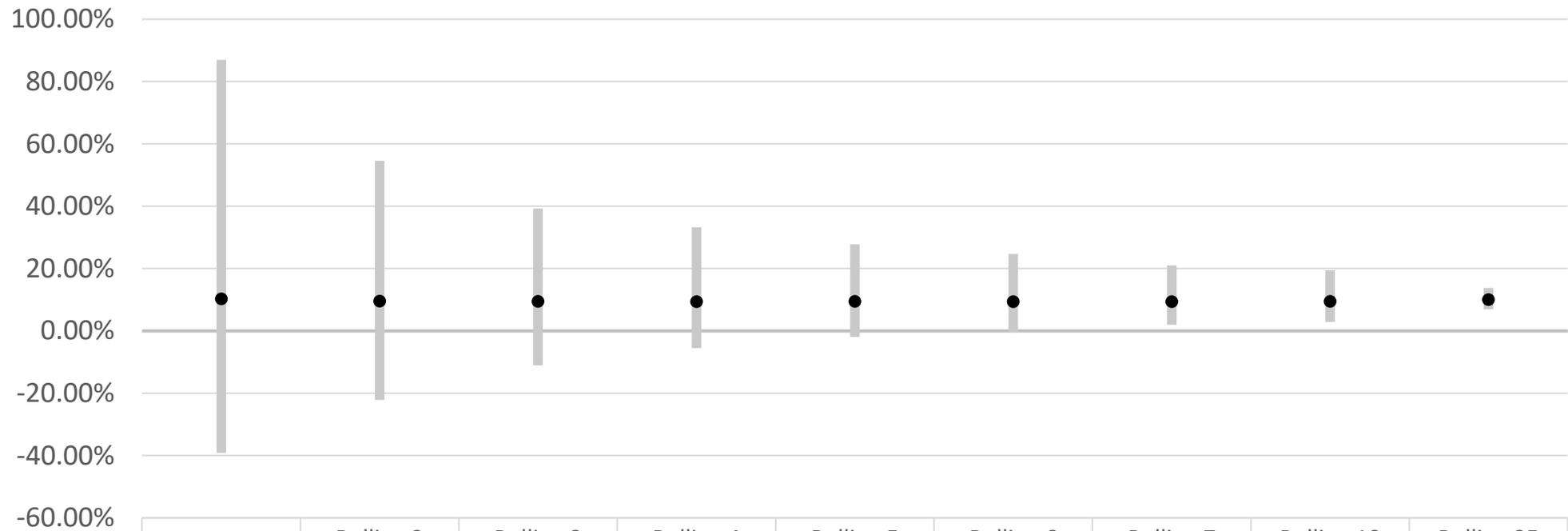
Total Return (Includes Dividends) Based on S&P/TSX Composite History

Length of Investment in Years	Rolling 1 Year	Rolling 2 Years	Rolling 3 Years	Rolling 4 Years	Rolling 5 Years	Rolling 6 Years	Rolling 7 Years	Rolling 10 Years	Rolling 25 Years
Total # of Periods	749	737	725	713	701	689	677	641	461
# of Negative Periods	200	127	78	30	15	1	0	0	0
% of Negative Periods	26.70%	17.23%	10.76%	4.21%	2.14%	0.15%	0.00%	0.00%	0.00%
Highest Period Returns	86.93%	54.58%	39.27%	33.24%	27.76%	24.68%	21.04%	19.50%	13.76%
Lowest Period Returns	-39.16%	-22.15%	-11.10%	-5.50%	-1.91%	-0.38%	1.94%	2.84%	6.95%
Average Period Return	10.30%	9.56%	9.43%	9.35%	9.42%	9.39%	9.39%	9.41%	10.01%

Source: Bloomberg

As the investment horizon lengthens,  
volatility decreases

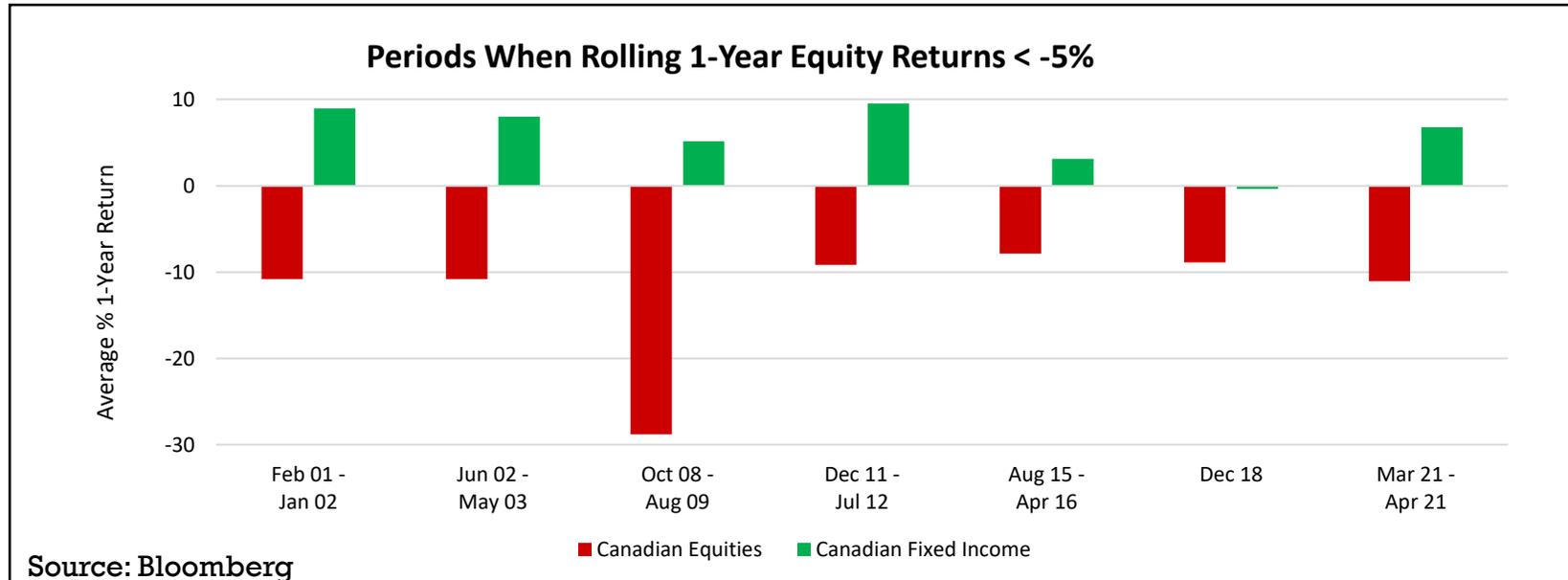
# S&P/TSX COMPOSITE INDEX: HISTORICAL PERIOD RETURNS



	Rolling 1 Year	Rolling 2 Years	Rolling 3 Years	Rolling 4 Years	Rolling 5 Years	Rolling 6 Years	Rolling 7 Years	Rolling 10 Years	Rolling 25 Years
Highest Period Returns	86.93%	54.58%	39.27%	33.24%	27.76%	24.68%	21.04%	19.50%	13.76%
Lowest Period Returns	-39.16%	-22.15%	-11.10%	-5.50%	-1.91%	-0.38%	1.94%	2.84%	6.95%
● Average Period Return	10.30%	9.56%	9.43%	9.35%	9.42%	9.39%	9.39%	9.41%	10.01%

# REDUCING RISK THROUGH DIVERSIFICATION

- Chart below shows periods between 2000 and 2021 when Canadian equity returns fell below -5%
- Canadian equities (red), fixed income (green)
- In every period, fixed income had an offsetting positive return
- ***Combining the two helps reduce total portfolio risk by diversification***



# SUMMARY

- Municipal Investing is governed by the Municipal Act.
  - Legal List
    - prescribed investments - 100% Canadian, management and compliance fall to the Municipality
  - Prudent Investor
    - Long Term Money (as defined) is managed by a JIB or IB, Canadian & Global investments and the JIB/IB manages compliance
    - Other funds remain under Legal List (as defined above)
- ONE Investment serves Ontario Municipalities
  - Non-profit which provides investment advisory advice to Ontario municipalities
  - All products / funds (Legal List and Prudent Investor) are compliant with the Municipal Act



# QUESTIONS?