



Staff Report to Council - for Information

Title: 2022 Annual Investment Report

From: Lynn Hatten, Deputy Treasurer

Date: February 15, 2024

Report Purpose:

This report is for information.

Report Summary:

[Ontario Regulation 438/97](#) and as amended by [Ontario Regulation 292/09](#) requires an annual investment report be made to Council as outlined in the criteria in the regulations.

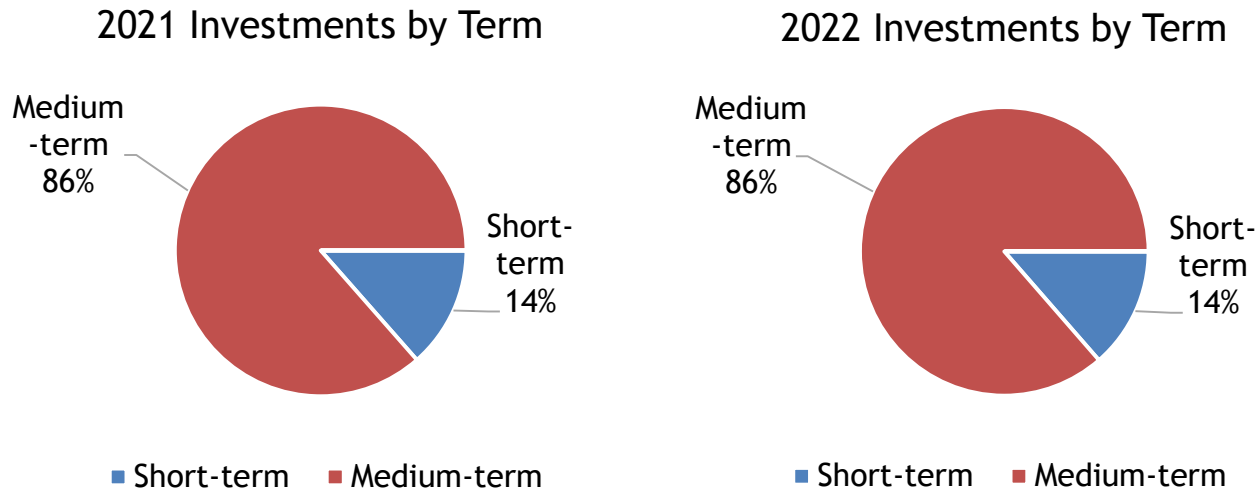
The reporting requirements require the Treasurer or designate to submit an investment report to Council at least annually.

Background:

The investment report shall include the following:

- a) a statement about the performance of the portfolio of investments of the municipality during the period covered by the report,
- b) a description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report,
- c) a statement by the treasurer as to whether or not, in his or her opinion, all investments are consistent with the investment policies and goals adopted by the municipality,
- d) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security, and
- e) such other information that the council may require or that, in the opinion of the treasurer, should be included. O. Reg. 438/97, S. 8(2); O. Reg. 655/05, S.6.

Chart 1: Investment Category for all Bruce County controlled investments



The investments are categorized into the following categories:

Chart 2: Types of Investments

| Label | Description | Term |
|------------|----------------------------------------|-------------------|
| A-S.G.I.C. | Short Term GIC or equivalent | 1 year or less |
| B-M.G.I.C. | Medium Term GIC or equivalent | 1 year to 6 years |
| C-L.G.I.C. | Long Term GIC or equivalent | 6 years or longer |
| D-S. bond | Short Term bond or equivalent | 1 year or less |
| E-M. bond | Medium Term bond or equivalent | 1 year to 6 years |
| F-L. bond | Long Term bond or equivalent | 6 years or longer |
| G-M.M.M.F. | Money Market Mutual Fund or equivalent | n/a |
| H-Cash | Cash or cash equivalent | n/a |
| I-Other | Other | n/a |

Corporation of the County of Bruce (County) investments

The County’s funds are invested as according to Ontario regulations and according to the County’s Investment Policy. A detailed listing of the investments are attached to the schedule(s) to this report.

The County’s investments previously had their maturity dates centered around only two maturity dates, being January 10, 2023 and January 10/February 16, 2024. While the investments permit early redemption, and the County’s CIBC investment advisor encourages this, it could be prudent to investigate a wider variety of maturity dates in order to mitigate the ups and downs of the stock market which the investments are invested in. With the early redemption of the European Index Growth note staff began to implement a laddered investment strategy wherein there will be maturities approximately yearly so that any

gyrations in the market, often unpredictable such as world-wide health crises and war, will not affect the maturities of more than one or two investments.

The following are brief informal descriptions of the investments with CIBC as they were custom designed for Bruce County and are not available to the public. Comprehensive details are outlined in the official Information Statements issued by CIBC for each investment.

These investments are able to be sold prior to maturity on the secondary market however the only eligible purchaser is CIBC who also reserves the right to set the purchase price as according to the applicable Information Statement. The principal is guaranteed by CIBC if held to maturity.

If the investment is sold prior to maturity, then the sale price may be above or below the purchase price (settlement value). The reason that they may be sold before maturity is if the forecast for the underlying assets that the note is linked to is expected to go down before maturity. The bank may make these recommendations at any time leading up to the maturity of the investment based on their research and forecasts.

Canadian Banks Coupon Deposit Notes (Canadian Banks)

Canadian dollar denominated investment with guaranteed principal plus the potential to receive quarterly Coupon Amounts during the term determined by reference to the ordinary dividends on the common shares of the TD Bank. A Coupon Amount is similar to an interest payment on a GIC, or a bond and it is paid quarterly on this note. It is a variable rate that is tied to the dividend rate for T.D. Bank shares.

Canadian Equity Guaranteed Yield Notes (Canadian Equity)

Canadian dollar denominated investment with guaranteed principal and with guaranteed Coupon Amount with a Coupon Rate of 0.50% each year. In addition to the guaranteed annual Coupon Amount there is the potential for a return of up to a total of 5.75% based on the underlying shares values on the issue date and the valuation dates.

The shares are in even proportions in the following 10 companies: Bank of Nova Scotia, Emera Inc., Fortis Inc, Great-West Lifeco Inc., Pembina Pipeline Corporation, National Bank of Canada, Power Corporation of Canada, Royal Bank of Canada, Toronto-Dominion Bank, TransCanada Corporation

European Index Growth Notes (European Equity)

Canadian dollar denominated investment with guaranteed principal in addition to variable interest, if any, based on 90% of the price return of the EURO STOXX 50 Index. The EURO STOXX 50 Index is a capitalization weighted index of 50 major European securities from those countries participating in the European Monetary Union. The price return percentage is capped based on a variety of market factors at the time the notes were issued.

NOTE: This investment immediately lost 13.39% in its first calendar year. The County was protected against losses since it has a guaranteed value of the principal invested amount on its maturity date. The CIBC investment advisor was watching the investment closely for it to go back above the guaranteed principal amount and then could be sold and put into a different investment. The investment finally went above the guaranteed amount after 4.8 years. The note was sold on October 27, 2022. The final yield was 1.7% over that period or approximately 0.22% annually compounded. The \$32,100 portion above \$3,000,000 was taken as the return and the original \$3,000,000 was invested into the Canadian Large Capital Index and Canadian Bank Index notes.

Canadian Financials Growth Deposit Notes (Canadian Finance)

Canadian dollar denominated investment with guaranteed principal in addition to variable interest, if any, based on the price performance of a notional equally weighted portfolio of common shares in even proportions in the following 5 Canadian financial companies: Bank of Montreal, The Bank of Nova Scotia, National Bank of Canada, Royal Bank of Canada, The Toronto-Dominion Bank.

Canadian Growth Linked Canadian Index (Canadian Large Capital Index)

Canadian dollar denominated investment with guaranteed principal in addition to variable interest, if any, based on 150% of the performance of the Solactive Canadian large-Cap 100 AR Index. The reference index aims to track the gross total return performance of the index, subject to a reduction of a synthetic dividend of 100 index points per annum.

Canadian Banks Index Growth Deposit Notes (Canadian Bank Index)

Canadian dollar denominated investment with guaranteed principal in addition to variable interest, if any, based on 370% of the performance of the Solactive Canada Bank 40 AR Index, provided that the maximum amount of Variable Interest that is payable is 60% of the Principal Amount. The Reference Index aims to track the gross total return performance of the Solactive Canada Bank TR Index, subject to a reduction of a synthetic dividend of 40 index points per annum.

Canadian Large Cap Select Index Notes (Canadian Large Capital)

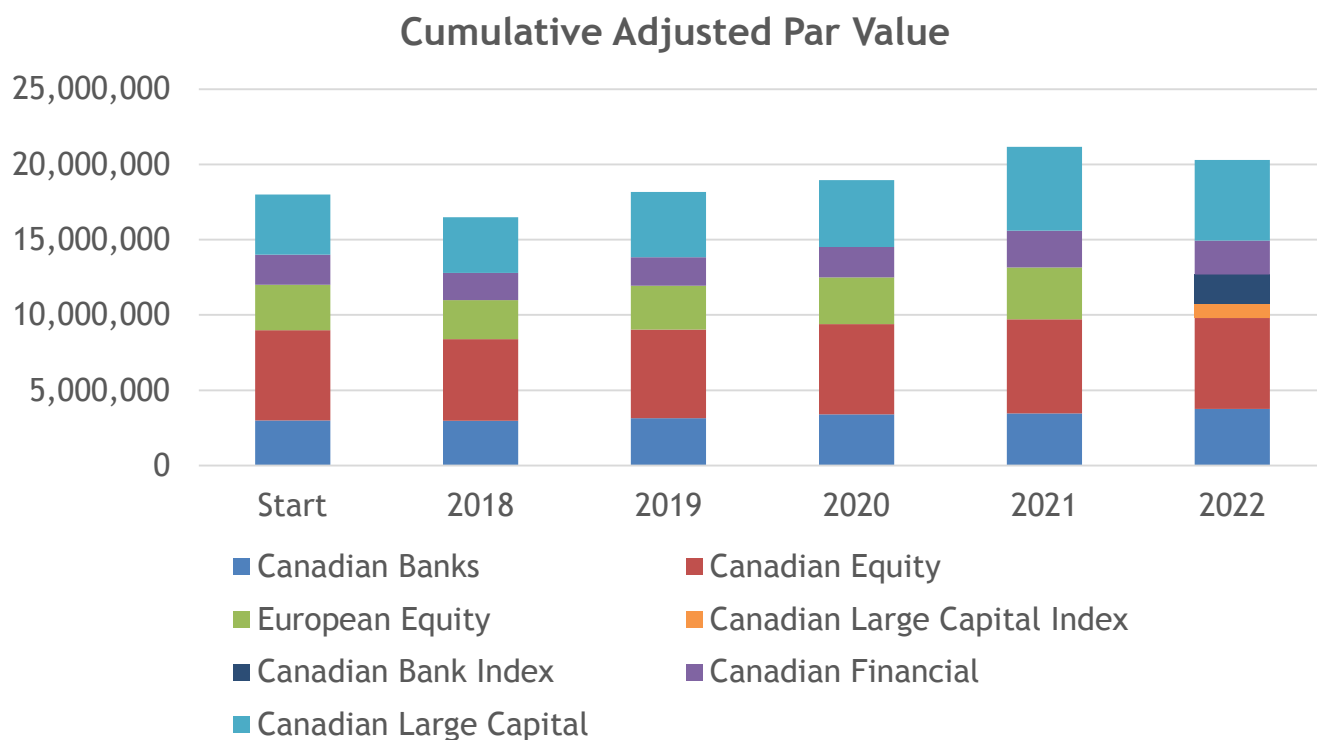
Canadian dollar denominated investment with guaranteed principal in addition to variable interest, if any, based on 120% of the price return of the CIBC Canadian Large-Cap Select Index. The reference index is a proprietary rules-based index comprised of an equally weighted portfolio of equity securities of TSX-listed issues that exhibit low beta (low sensitivity to market fluctuations). The price return percentage is capped based on a variety of market factors at the time the notes were issued.

Chart 3: CIBC investments Adjusted Annual Rate of Return as % including interest

| INVESTMENT | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------|--------|-------|------|-------|-------|
| CANADIAN BANKS | -0.86 | 6.06 | 8.04 | 1.91 | 8.30 |
| CANADIAN EQUITY | -9.83 | 8.27 | 1.74 | 4.41 | -3.42 |
| EUROPEAN EQUITY | -13.73 | 12.46 | 6.53 | 10.66 | |
| CANADIAN FINANCIAL | -10.64 | 5.52 | 7.02 | 20.66 | 24.15 |
| CANADIAN LARGE CAPITAL INDEX | | | | | -0.34 |
| CANADIAN BANK INDEX | | | | | -0.30 |
| CANADIAN LARGE CAPITAL | -8.29 | 16.82 | 2.14 | 25.66 | -4.00 |
| TOTAL | -8.33 | 10.15 | 4.25 | 11.69 | -4.15 |

Charts 4 and 5: CIBC Investments Overall Performance

| INVESTMENT | SETTLEMENT VALUE | CUMULATIVE ADJUSTED PAR VALUE 2018 | CUMULATIVE ADJUSTED PAR VALUE 2019 | CUMULATIVE ADJUSTED PAR VALUE 2020 | CUMULATIVE ADJUSTED PAR VALUE 2021 | CUMULATIVE ADJUSTED PAR VALUE 2022 |
|----------------------|------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| CANADIAN BANKS | 3,000,000 | 2,974,977 | 3,155,208 | 3,408,819 | 3,474,090 | 3,762,570 |
| CANADIAN EQUITY | 6,000,000 | 5,424,942 | 5,873,532 | 5,975,940 | 6,239,640 | 6,026,280 |
| EUROPEAN EQUITY | 3,000,000 | 2,598,294 | 2,922,099 | 3,112,950 | 3,444,660 | |
| CANADIAN FINANCIAL | 2,000,000 | 1,792,440 | 1,891,390 | 2,024,100 | 2,442,280 | 2,262,340 |
| CANADIAN L CAP INDEX | | | | | | 961,200 |
| CANADIAN BANK INDEX | | | | | | 1,932,540 |
| CANADIAN LARGE CAP. | 4,000,000 | 3,710,204 | 4,334,152 | 4,427,040 | 5,562,880 | 5,340,520 |
| TOTAL | 18,000,000 | 16,500,857 | 18,176,381 | 18,948,849 | 21,163,550 | 20,285,450 |



The Canadian Banks investment earns interest that is deposited to the County's bank account on a quarterly basis and the Canadian Equity investment earns interest that is deposited to the County's bank account on an annual basis. The inclusion of the interest results in an adjustment to the annual rate of return in Chart 3 which is based solely on the pricing of the investments.

Chart 6: CIBC investments Annual Rate of Return including interest earned

| INVESTMENT | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------|--------------|--------------|-------------|--------------|--------------|
| CANADIAN BANKS | -0.86 | 6.06 | 8.04 | 1.91 | 8.30 |
| CANADIAN EQUITY | -9.83 | 8.27 | 1.74 | 4.41 | -3.42 |
| EUROPEAN EQUITY | -13.73 | 12.46 | 6.53 | 10.66 | |
| CANADIAN FINANCIAL | -10.64 | 5.52 | 7.02 | 20.66 | 24.15 |
| CANADIAN L CAP INDEX | | | | | -0.34 |
| CANADIAN BANK INDEX | | | | | -0.30 |
| CANADIAN LARGE CAPITAL | -8.29 | 16.82 | 2.14 | 25.66 | -4.00 |
| TOTAL | -8.33 | 10.15 | 4.25 | 11.69 | -4.15 |

Chart 6 represents the change in the value of the investments plus interest over the prior year as calculated on an annual basis.

Chart 7 Annualized Rate of Return including interest

| INVESTMENT | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------|--------------|-------------|-------------|--------------|--------------|
| CANADIAN BANKS | -0.86 | 2.54 | 4.34 | 3.73 | 4.63 |
| CANADIAN EQUITY | -9.83 | -1.19 | -0.22 | 0.92 | 0.03 |
| EUROPEAN EQUITY | -13.73 | -1.50 | 1.11 | 3.41 | |
| CANADIAN FINANCIAL | -10.64 | -2.90 | 0.30 | 5.04 | 8.61 |
| CANADIAN L CAP INDEX | | | | | -0.07 |
| CANADIAN BANK INDEX | | | | | -0.06 |
| CANADIAN LARGE CAPITAL | -8.29 | 3.51 | 3.05 | 8.29 | 5.71 |
| TOTAL | -8.33 | 0.98 | 5.27 | 17.58 | 12.70 |

Chart 7 represents the change in the value of the investments plus interest since inception.

Comparative Rates to Guaranteed Investment Certificates (G.I.C.s)

Comparative rates from CIBC and BMO Nesbitt Burns at the time of investment were 3 year: 2% and 5 year: 2.25%. (CIBC) to 2.90% (BMO)

Bruce County Housing Corporation (BCHC) Investments

BCHC is restricted by regulation as to how it may invest its funds as according to the [Housing Services Act, 2011, Ontario Regulation 367/11 Section 98](#). Encasa Financial Inc. (Encasa) is a registered Investment Fund Manager specifically created to administer the Social Housing Investment Program. The program enables affordable housing providers to effectively invest their capital reserves and operating dollars.

BCHC investment portfolio has 100% of its funds invested in the Encasa Canadian Short-Term Bond Fund (CSTBF) which is described below. Encasa also offers a Canadian Bond Fund (CBF) and an Equity Fund (EF) which are also described below.

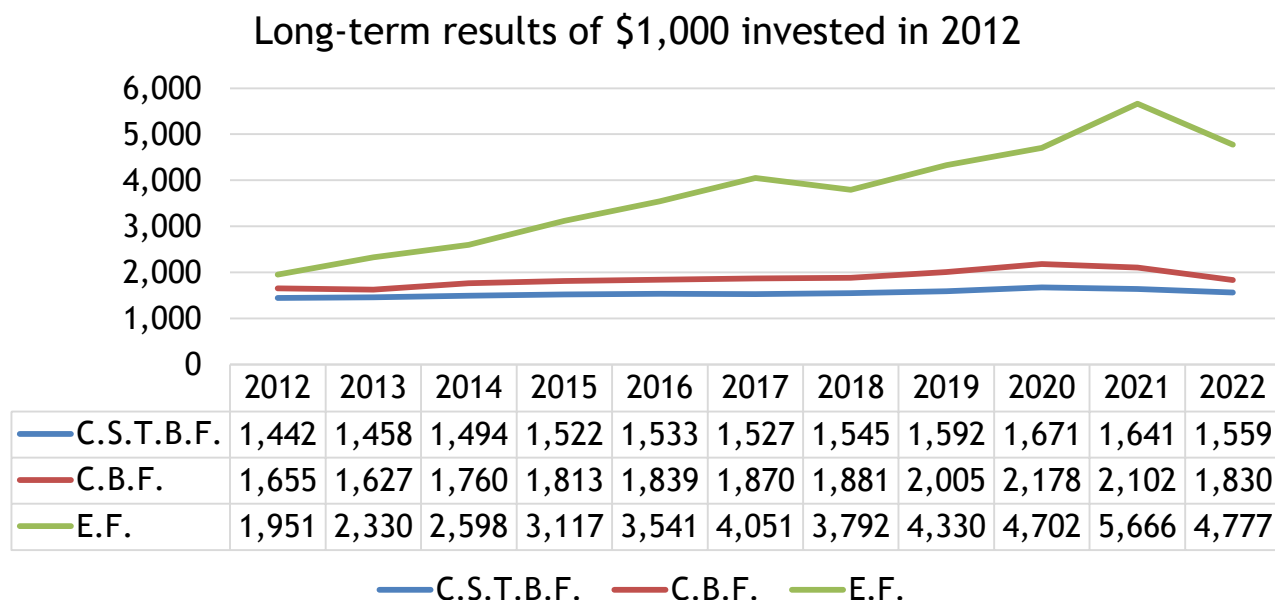
All of the Encasa funds are no-load funds which means there are no sales fees to purchase or sell. The fees of the fund are charged through the management expense ratio (MER) which is expressed as a percentage of a fund's average net assets for that year.

The BCHC funds are invested in accordance with Ontario Regulation 367/11 Section 98. The BCHC does not currently have an investment policy and should adopt one. The investments meet the guidelines set by legislation for housing funds. The BCHC has 100% of its funds in one investment and could benefit from diversification. A review of its investment goals and investment timelines plus the establishment of an investment policy can guide updating the asset mix.

Chart 6: Encasa investment funds annual returns as % and cumulative returns

| FUND | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------|------|------|------|------|------|------|------|------|------|------|------|-------|
| CSTBF | 3.1 | 1.6 | 1.1 | 2.5 | 1.9 | 0.7 | -0.4 | 1.2 | 3.0 | 5.0 | -1.8 | -5.0 |
| CBF | 7.8 | 2.9 | -1.7 | 8.2 | 3.0 | 1.4 | 1.7 | 0.6 | 6.6 | 8.6 | -3.5 | -12.9 |
| EF | -8.3 | 10.4 | 19.4 | 11.5 | 20.0 | 13.6 | 14.4 | -6.4 | 14.2 | 8.6 | 20.5 | -15.7 |

Chart 7: Comparison of the long-term investment returns for the 3 Encasa funds



Encasa Canadian Short-Term Bond Fund (CSTBF)

The Encasa Canadian Short-Term Bond Fund is managed by Encasa Financial and governed by the Encasa Responsible Investment Policy.

The investment objective of the Fund is to obtain a relatively high level of current interest income consistent with preserving capital and maintaining liquidity. It is suitable for shorter-term capital where there is a more immediate need for liquidity. The Fund invests primarily in high-quality debt obligations issued or guaranteed by the Government of Canada, provincial or territorial governments or their agencies, Canadian chartered banks, Canadian loan or trust companies, and Canadian corporations that meet the responsible investment criteria set for the Fund. It may also invest in debt instruments issued or guaranteed by international or supranational agencies, such as the World Bank.

The Fund is sub advised by Addenda Capital Management. Addenda is a leading fixed income investment manager in Canada with a long-standing commitment to the principles of responsible and sustainable investing.

Encasa Canadian Bond Fund (CBF)

The Encasa Canadian Bond Fund is managed by Encasa Financial and governed by the Encasa Responsible Investment Policy.

The investment objective of the Fund is to generate a total investment return that is comprised of both income and realized/unrealized capital gains. It is suitable for medium term capital where there is no immediate need for liquidity.

The investments of the Fund are primarily bonds of Canadian governments and corporations with longer maturities, with a credit rating not lower than BBB and that meet the responsible investment criteria set for the Fund. The Fund may also invest in bonds or other debt instruments which are issued or guaranteed by international or supranational agencies, such as the World Bank, and other foreign issuers.

The Fund is sub advised by Addenda Capital Management. Addenda is a leading fixed income investment manager in Canada with a long-standing commitment to the principles of responsible and sustainable investing.

Encasa Equity Fund (EF)

The Encasa Equity Fund is managed by Encasa Financial and governed by the Encasa Responsible Investment Policy.

The investment objective of the Fund is long-term capital growth achieved by investing in a diversified portfolio of companies largely located outside of Canada. The companies in the Fund are measurably working to improve the planet, minimize negative social and environmental impacts, and tend to be larger companies. In keeping with the Responsible Investment Policy, the Fund has a reduced exposure to companies in fossil fuel industries. The Fund is suitable for longer term capital where liquidity is not required.

The Fund is sub advised by Genus Capital Management. Genus is a long-standing leader in the Canadian investment industry in following the principles of responsible and sustainable investment. Their corporate mission is to create investment strategies for a sustainable future.

Investments overseen but not managed by Bruce County

Bruce County as the service system manager for housing and homeless has oversight responsibility for two non-profit housing corporations: Formosa Seniors Non-Profit Housing Corporation (Formosa Seniors) and Russell Meadows Non-Profit Accommodations Inc. (Russell Meadows).

Formosa Seniors and Russell Meadows are corporations that are governed by the Housing Services Act and the County flows funding to them as a subsidy. The County provides oversight to ensure that they are operating properly and investing as required.

As Bruce County is only providing oversight, the investment funds are considered owned by Formosa and Russell Meadows as they are still incorporated as separate and distinct entities. As such, these funds are not included in this report.

Financial/Staffing/Legal/IT Considerations:

There are no financial, staffing, legal or IT considerations associated with this report.

Interdepartmental Consultation:

The Director of Human Services was consulted.

Link to Strategic Goals and Objectives:

Strategic Goals

None identified.

Link to Departmental Plan Goals and Objectives, if any:

None identified.

Departmental Approval:

Edward Henley, Director of Corporate Services

Approved for Submission:

Christine MacDonald, Chief Administrative Officer

Appendix 1
 Corporation of the County of Bruce

| Maturity Date | Yield % | Term in days | Settlement Value | Par Value | Maturity Value | Investment or Number | Investment Type | Issuer |
|---------------|---------|--------------|------------------|------------|----------------|-----------------------------|-----------------|--------|
| 2023-01-10 | n/a | 1,826 | 3,000,000 | 3,016,170 | 3,000,000 | CDN BKS CPN DEP NTS | B-MGIC | CIBC |
| 2023-01-10 | n/a | 1,826 | 6,000,000 | 6,026,280 | 6,000,000 | CDN EQ GTD YLD DEP NTS | B-MGIC | CIBC |
| 2022-10-27 | 1.07 | 1,751 | 3,000,000 | 0 | 3,032,100 | EURO IDX GROWTH DEP NTS | B-MGIC | CIBC |
| 2024-01-10 | n/a | 2,191 | 2,000,000 | 2,262,340 | 2,000,000 | CDN FIN GROWTH DEP NTS | B-MGIC | CIBC |
| 2027-11-30 | n/a | 1,826 | 1,000,000 | 961,200 | 1,000,000 | GTH DPNT LKD CDN IDX AR CLF | B-MGIC | CIBC |
| 2027-11-30 | n/a | 1,826 | 2,000,000 | 1,932,540 | 2,000,000 | CDN BK IDX AR GTH DPNT CLF | B-MGIC | CIBC |
| 2024-02-16 | n/a | 2,191 | 4,000,000 | 5,340,520 | 4,000,000 | CDN LG CAP SELECT IDX GWTH | B-MGIC | CIBC |
| | | | | 19,539,050 | | | | |

| Description | Total |
|----------------------------------------|------------|
| Short Term GIC or equivalent | 0 |
| Medium Term GIC or equivalent | 19,539,050 |
| Long Term GIC or equivalent | 0 |
| Short Term bond or equivalent | 0 |
| Medium Term bond or equivalent | 0 |
| Long Term bond or equivalent | 0 |
| Money Market Mutual Fund or equivalent | 0 |
| Cash or cash equivalent | 0 |
| Other | 0 |
| | 19,539,050 |

Bruce County Housing Corporation

| Settlement Date | Maturity Date | Yield % | Term in days | Settlement Value | Par Value | Maturity Value | Investment or Number | Investment Type | Issuer |
|-----------------|---------------|---------|--------------|------------------|-----------|----------------|------------------------------|-----------------|----------------------------------|
| 2019-07-31 | | n/a | | 3,133,203 | 3,074,492 | | Class A Short-term Bond Fund | D-Sbond | Worldsource Financial via Encasa |
| | | | | | 3,074,492 | | | | |

| Investment Type | Description | Total |
|-----------------|----------------------------------------|-----------|
| A-SGIC | Short Term GIC or equivalent | 0 |
| B-MGIC | Medium Term GIC or equivalent | 0 |
| C-LGIC | Long Term GIC or equivalent | 0 |
| D-Sbond | Short Term bond or equivalent | 3,074,492 |
| E-Mbond | Medium Term bond or equivalent | 0 |
| F-Lbond | Long Term bond or equivalent | 0 |
| G-MMMF | Money Market Mutual Fund or equivalent | 0 |
| H-Cash | Cash or cash equivalent | 0 |
| I-Other | Other | 0 |
| | | 3,074,492 |

Formosa Seniors Non-Profit Housing Corporation

| Settlement Date | Maturity Date | Yield % | Term in days | Settlement Value | Par Value | Maturity Value | Investment or Number | Investment Type | Issuer |
|-----------------|---------------|---------|--------------|------------------|-----------|----------------|------------------------------|-----------------|----------------------------------|
| unknown | | n/a | | unknown | 155,232 | | Class A Short-term Bond Fund | D-Sbond | Worldsource Financial via Encasa |

155,232

| Investment Type | Description | Total |
|-----------------|----------------------------------------|---------|
| A-SGIC | Short Term GIC or equivalent | 0 |
| B-MGIC | Medium Term GIC or equivalent | 0 |
| C-LGIC | Long Term GIC or equivalent | 0 |
| D-Sbond | Short Term bond or equivalent | 155,232 |
| E-Mbond | Medium Term bond or equivalent | 0 |
| F-Lbond | Long Term bond or equivalent | 0 |
| G-MMMF | Money Market Mutual Fund or equivalent | 0 |
| H-Cash | Cash or cash equivalent | 0 |
| I-Other | Other | 0 |
| | | 155,232 |

Russell Meadows Non Profit Accommodations Inc.

| Settlement Date | Maturity Date | Yield % | Term in days | Settlement Value | Par Value | Maturity Value | Investment or Number | Investment Type | Issuer |
|-----------------|---------------|---------|--------------|------------------|-----------|----------------|------------------------------|-----------------|----------------------------------|
| unknown | | n/a | | unknown | 83,201 | | Class A Short-term Bond Fund | D-Sbond | Worldsource Financial via Encasa |

83,201

| Investment Type | Description | Total |
|-----------------|----------------------------------------|--------|
| A-SGIC | Short Term GIC or equivalent | 0 |
| B-MGIC | Medium Term GIC or equivalent | 0 |
| C-LGIC | Long Term GIC or equivalent | 0 |
| D-Sbond | Short Term bond or equivalent | 83,201 |
| E-Mbond | Medium Term bond or equivalent | 0 |
| F-Lbond | Long Term bond or equivalent | 0 |
| G-MMMF | Money Market Mutual Fund or equivalent | 0 |
| H-Cash | Cash or cash equivalent | 0 |
| I-Other | Other | 0 |
| | | 83,201 |