



Staff Report to Council - for Information

Title: 2023 Annual Investment Report

From: Sam Dinsmore, Director of Corporate Services

Date: May 1, 2025

Report Number: CS-2025-014

Report Purpose:

This report is for information.

Report Summary:

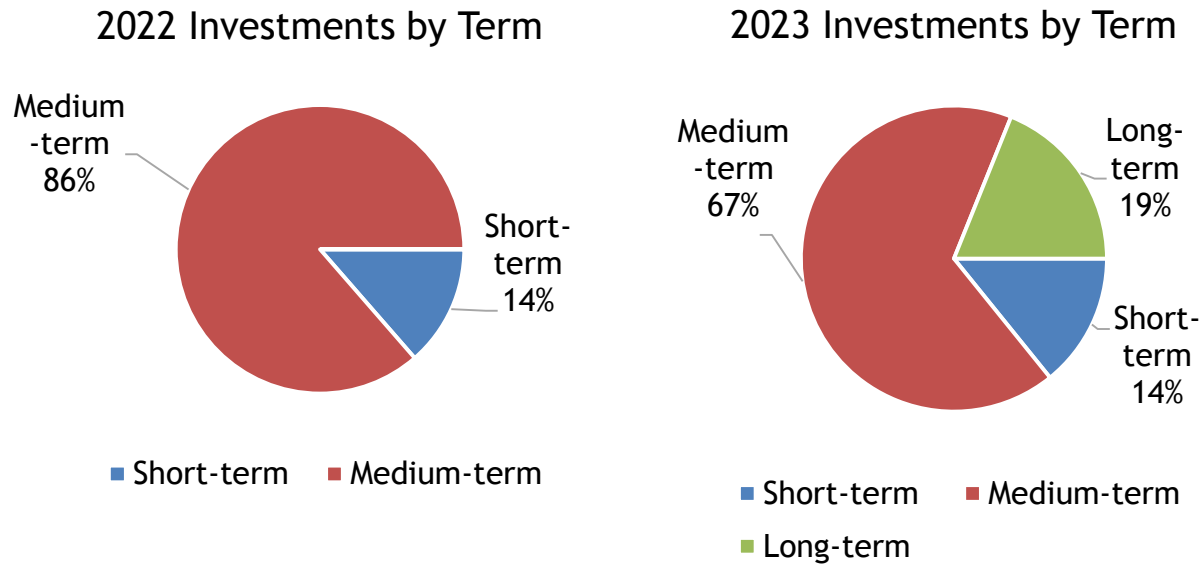
[Ontario Regulation 438/97](#) and as amended by [Ontario Regulation 292/09](#) requires an annual investment report be made to Council as outlined in the criteria in the regulations.

Background/Analysis:

The following report provides details of the investments of the County of Bruce and Bruce County Housing Corporation (BCHC). The funds are invested according to Ontario regulations and are in line with the County Investment Policy and cashflow needs. Appendix 1 provides a breakdown of the initial contribution, holdings, and redemption value for each investment.

The County's investments previously had maturity dates centered around only two dates in 2023 and 2024. Over the last number of years as investments matured or the County completed early redemptions, staff began to implement a laddered investment strategy wherein there will be investments maturing approximately yearly so that any fluctuations in the market, which are often unpredictable, will not affect the maturities of more than one or two investments thus diversifying timing risk, and providing more flexibility to address changing cashflow needs. This strategy has resulted in the addition of some long-term investments to the investment portfolio as shown in Chart 1 below. Long-term investments (more than 6 years) now make up approximately 19% of the total investment portfolio, with an offsetting reduction in medium term investments (1 to 6 years).

CHART 1: INVESTMENT CATEGORY FOR ALL BRUCE COUNTY & BCHC CONTROLLED INVESTMENTS



Corporation of the County of Bruce (County) investments

The County funds are held in principal protected notes issued by CIBC. These notes can 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 established in the applicable Information Statement and agreed to at the time of purchase. The principal on all the notes held by the County 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). Notes may be sold before maturity if the forecast for the underlying assets is expected to go down before maturity, or to “lock-in” the existing gains as principal. The bank may make these recommendations at any time leading up to the maturity of the investment based on their research and forecasts. At this time the County has only proceeded with early redemptions in scenarios where the sale price was above the initial purchase price.

Appendix 2 provides 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.

2023 COUNTY INVESTMENT ACTIVITY

In January 2023, the Canadian Banks and Canadian Equity Notes both matured, and were redeemed at face value of \$3 million and \$6 million respectively as expected. In 2023 the investments received \$53,400 in coupon payments. Over the life of the investments, since

2018, coupon payments totaling \$831,900 were received. The matured funds of \$9 million were immediately reinvested in the Canadian Index Portfolio Guaranteed Yield Notes, split evenly between maturity dates in 2028 and 2030. These investments are intended to payout a coupon/interest payment annually.

COUNTY INVESTMENT RETURNS

The Canadian Banks, Canadian Equity and Canadian Guaranteed Yield investments earn interest that is deposited to the County's bank account on an annual basis. The inclusion of this interest results in an adjustment to the annual rate of return and the investment value allows the county to compare investments that provide both yields in the form of an annual payout and those that provide returns in the form of increased value paid out at maturity. The County's initial investment was \$18 million, and the value received at the end of 2023 had grown to \$20,275,560.

CHARTS 2: CIBC INVESTMENTS CUMULATIVE ADJUSTED PAR VALUE

NAME	INITIAL	2018	2019	2020	2021	2022	2023
CANADA BANKS	3,000,000	2,974,977	3,155,208	3,408,819	3,474,090	3,762,570	799,800
CANADA EQUITY	6,000,000	5,424,942	5,873,532	5,975,940	6,239,640	6,026,280	0
EUROPE EQUITY	3,000,000	2,598,294	2,922,099	3,112,950	3,444,660	32,100	32,100
CANADA FINANCE	2,000,000	1,792,440	1,891,390	2,024,100	2,442,280	2,262,340	2,413,480
CANADA LRG CAP INDEX						961,200	989,410
CANADA BANK INDEX						1,932,540	1,970,180
CANADIAN LARGE CAP.	4,000,000	3,710,204	4,334,152	4,427,040	5,562,880	5,340,520	5,470,640
CANADA YIELD 2028							4,318,245
CANADA YIELD 2030							4,281,705
TOTAL	18,000,000	16,500,857	18,176,381	18,948,849	21,163,550	20,285,450	20,275,560

Cumulative Adjusted Par Value

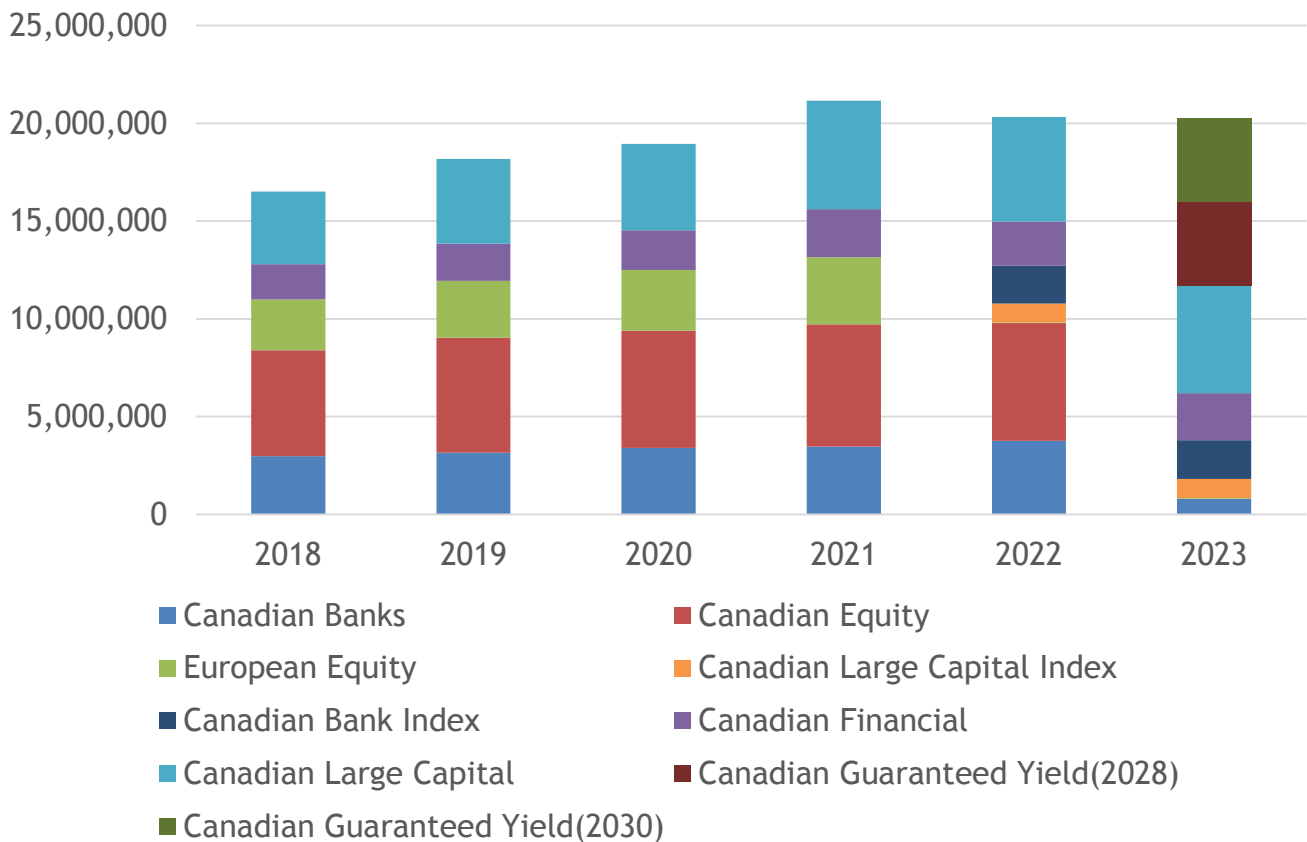


CHART 3: CIBC INVESTMENTS ANNUAL RATE OF RETURN

Term	1 Year (2023)	3 Year (2021-2023)	5 Year (2019-2023)	Lifetime (Since December 2017)
Per Year	-0.22%	2.36%	4.32%	2.06%

Chart 3 represents the change in the value of the investments over the prior year. On average the county investments saw a small decline of 0.22% in 2023.

While there were some banks offering short term GIC rates in the 4 to 5% range at the time of reinvestment in 2022 and 2023, the Treasurer (after reviewing in conjunction with the County's investment manager) identified reasonable likelihood that the principal protected notes would meet or exceed the GIC rates over the longer term. After reviewing the cashflow needs of the County and investment policy the decision was made to proceed with purchasing the notes.

The County holds short term funds outside of its investments in the County bank account with CIBC, which receives a competitive interest rate that exceeds all short term (less than one year) interest rates and GIC rates offered to the County and provides increased

flexibility to access funds without penalty. In 2023 \$1,280,008 in interest was earned on the County’s bank balance.

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.

The BCHC investment portfolio has 100% of its funds invested in the Encasa Canadian Short-Term Bond Fund (CSTBF). Encasa also offers a Canadian Bond Fund (CBF) and an Equity Fund (EF). Descriptions of the available funds are provided in Appendix 2.

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 and it is the opinion of the Treasurer that the investments meet the guidelines set by the legislation. BCHC does not currently have a separate investment policy. At this time the County policy is utilized to provide direction. No changes to BCHC investment holdings were made in 2023. BCHC has 100% of its funds in one investment and could consider diversification. A review of its investment goals and investment timelines plus the establishment of an investment policy would provide guidance for updating the asset mix.

Chart 4: Encasa investment funds annual returns as % and cumulative returns

FUND	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CSTBF	2.5	1.9	0.7	-0.4	1.2	3.0	5.0	-1.8	-5.0	4.5
CBF	8.2	3.0	1.4	1.7	0.6	6.6	8.6	-3.5	-12.9	6.2
EF	11.5	20.0	13.6	14.4	-6.4	14.2	8.6	20.5	-15.7	13.6

INVESTMENTS OVERSEEN BUT NOT MANAGED BY BRUCE COUNTY

Bruce County, as the service system manager for housing and homelessness, 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). As Bruce County is only providing oversight, the investment funds are considered owned by Formosa Seniors and Russell Meadows as they are still incorporated as separate and distinct entities. As such, these funds are not included in this report. Staff will continue to monitor and provide oversight.

Financial/Staffing/Legal/IT Considerations:

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

Interdepartmental Consultation:

The CAO's Office is kept up-to-date throughout the year of early redemption or major investment decisions as relevant.

Link to Strategic Goals and Objectives:

Growth and Innovation - Promote responsible growth

Report Author:

Lynn Hatten, Deputy Treasurer

Departmental Approval:

Sam Dinsmore, Director of Corporate Services

Approved for Submission:

Sean Morphy, Deputy Chief Administrative Officer

Appendix 1: Investment Holdings

Corporation of the County of Bruce

Purchase Date	Maturity Date	Term	Settlement Value	Par Value	Maturity Value	Investment or Number	Issuer
2018-01-10	2023-01-10	Medium	3,000,000	-	3,000,000	CDN BKS CPN DEP NTS	CIBC
2018-01-10	2023-01-10	Medium	6,000,000	-	6,000,000	CDN EQ GTD YLD DEP NTS	CIBC
2018-01-10	2022-10-27	Medium	3,000,000	-	3,032,100	EURO IDX GROWTH DEP NTS	CIBC
2018-01-10	2024-01-10	Medium	2,000,000	2,413,480		CDN FIN GROWTH DEP NTS	CIBC
2022-11-30	2027-11-30	Medium	1,000,000	989,410		GTH DPNT LKD CDN IDX AR CLF	CIBC
2022-11-30	2027-11-30	Medium	2,000,000	1,970,180		CDN BK IDX AR GTH DPNT CLF	CIBC
2018-02-16	2024-02-16	Medium	4,000,000	5,470,640		CDN LG CAP SELECT IDX GWTH	CIBC
2023-02-10	2028-02-10	Medium	4,500,000	4,318,245		CDN IDX AR PFL GTD YLD DPNT (2028)	CIBC
2023-02-11	2030-02-11	Long	4,500,000	4,281,705		CDN IDX AR PFL GTD YLD DPNT (2030)	CIBC
				19,443,660			

Bruce County Housing Corporation

Settlement Date	Maturity Date	Term in days	Settlement Value	Par Value	Maturity Value	Investment or Number	Issuer
2019-07-31		Short	3,133,203	3,214,030		Class A Short-term Bond Fund	Worldsource Financial via Encasa
				3,214,030			

Appendix 2: Investment Fund Details

Canadian Banks Coupon Deposit Notes (Canadian Banks) - Matured in 2023

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) - Matured in 2023

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 10 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) - Early Redemption 2022

There were no funds held in this investment during 2023, as the investment was redeemed early in 2022 for a small profit. The county decided on early redemption due to the uncertainty with regards to the war in Ukraine.

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.

Canadian Index Portfolio Guaranteed Yield Notes 2028 maturity (Canadian Guaranteed Yield) - New in 2023

Canadian dollar denominated investment with guaranteed principal plus coupon payments between 2% and 6.7% annually, resulting in a maximum 33.5% payout over the life of the investment. The coupon rate will be determined based on an average of the 5 Reference Index Returns. The 5 indices cover 5 major Canadian industries: banking, insurance, pipelines, telecommunications, and utilities. In order to received the maximum return all 5 indices must have experienced positive returns in the year.

Canadian Index Portfolio Guaranteed Yield Notes 2030 maturity (Canadian Guaranteed Yield) - New in 2023

Canadian dollar denominated investment with guaranteed principal plus coupon payments between 2% and 7.3% annually, resulting in a maximum 51.1% payout over the life of the investment. The coupon rate will be determined based on an average of the 5 Reference Index Returns. The 5 indices cover 5 major Canadian industries: banking, insurance, pipelines, telecommunications, and utilities. In order to received the maximum return all 5 indices must have experienced positive returns in the year.

Bruce County Housing Corporation**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, 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.

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, a long-standing leader in the Canadian investment industry in following the principles of responsible and sustainable investment.