



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Request for Investment and Hiring of a Second Fixed Income Manager

Date: July 15, 2020
To: Toronto Atmospheric Board of Directors
From: Chief Executive Officer

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report contains financial information supplied in confidence to the Toronto Atmospheric Fund, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

SUMMARY

The Investment Committee is recommending hiring a second Fixed Income manager. The proposed investment is a credit-driven product and will complement the current Fixed Income TD Asset Management mandate and diversify TAF's Fixed Income portfolio.

RECOMMENDATIONS

The Chief Executive Officer recommends that the TAF Board of Directors:

1. Approve the investment, set out in Confidential Attachment 1;
2. Request that the City of Toronto's Chief Financial Officer and Treasurer hire the Fixed Income Manager identified in Confidential Attachment 1 on TAF's behalf, subject to negotiation of the details of the agreements and in coordination with TAF staff and TAF's Investment Advisor, HUB/Proteus Performance Management Inc.
3. Authorize the public release of Confidential Attachment 1 following the closing of the transaction.

FINANCIAL IMPACT

None to the City of Toronto. The aim is to increase the returns from TAF's Fixed Income portfolio.

DECISION HISTORY

On July 8, 2020, TAF's Investment Committee recommended hiring a second Fixed Income manager, establishing an initial mandate funded proportionately from the Toronto, Ontario and Canada funds, with the firm listed in Confidential Attachment 1.

On October 7, 2019, the selection subcommittee met to review proposals from four shortlisted firms. The core criteria for selection were:

- A suitable pooled strategy available to Canadian investor
- A performance track record which can be assessed, preferably for the product being evaluated
- Appropriate currency management for a Canadian investor
- Appropriate fees
- Institutional quality reporting

At its meeting of August 15, 2019, the Investment Committee recommended initiating a search for additional Fixed Income Manager(s), requesting support and guidance from HUB/Proteus Performance Management. A selection subcommittee was formed including Guy Burry and Terry Vaughan to review the proposals and make a recommendation to the Investment Committee.

At its meeting April 30, 2019, the TAF Board directed the Investment Committee to develop a plan for prompt deployment of the federal endowment once it is received that is compliant with the Statement of Investment Objectives and Principles and aligned with the Target Portfolio, that mirrors the asset mix of the Toronto and Ontario endowments to the extent possible.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.TA2.4>

COMMENTS

Public Fixed Income products whose returns are driven primarily by interest rates are currently providing very low returns with the possibility of capital loss. Exposure to bonds that are driven more by credit considerations would provide potential for greater returns and diversify TAF's Fixed Income portfolio. At the direction of the Investment Committee, TAF's third-party investment advisor, HUB/Proteus Performance Management, undertook a criteria-based search and two members of the Asset Mix Subcommittee examined several options and recommended the proposed investment to the Investment Committee.

CONTACT

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SIGNATURE

Julia Langer
Chief Executive Officer

ATTACHMENTS

Confidential Attachment 1 – Fixed Income Manager Summary