Re: IB3.1

ADDENDA
CAPITAL

Toronto Investment Board

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Firm Overview

- Institutional and private wealth investment manager
- $28.3 billion* in assets under management
- Privately owned:
  - Co-operators Financial Services Limited (92.4%)
  - Current and former Addenda Capital employees (7.6%)
- National footprint with offices in Montréal, Guelph, Toronto and Regina
- 136 employees, including 63 investment professionals
- Delivering added value on a full suite of asset classes including:
  - Fixed Income
  - Equities
  - Commercial Mortgages
  - Multi-Asset Solutions

*Excluding $597 million in Advisory assets and $373 million in Overlay assets

As at March 31, 2019

Addenda Capital's Approach to Sustainable Investing

Promoting Sustainable Financial Markets
Collaborative investor initiatives and public policy, regulatory and standards submissions

Global Financial Markets

ESG Integration
Consideration of ESG issues with potential material impact on financial performance

Investment Universe

Stewardship
Proxy voting and corporate engagement

Portfolios

Values and Impact Investing
Alignment of portfolios with values

Solutions for Custom Objectives/Restrictions

Portfolio Examples

- Promoting Sustainable Financial Markets → Submitted response to the Interim Report of Canada's Expert Panel on Sustainable Finance
- ESG Integration → Review of Pembina Pipeline's inaugural Sustainability Report
- Stewardship → 3-Year Board Diversity Stewardship Plan
- Values and Impact Investing → Melancthon Wolfe Wind LP

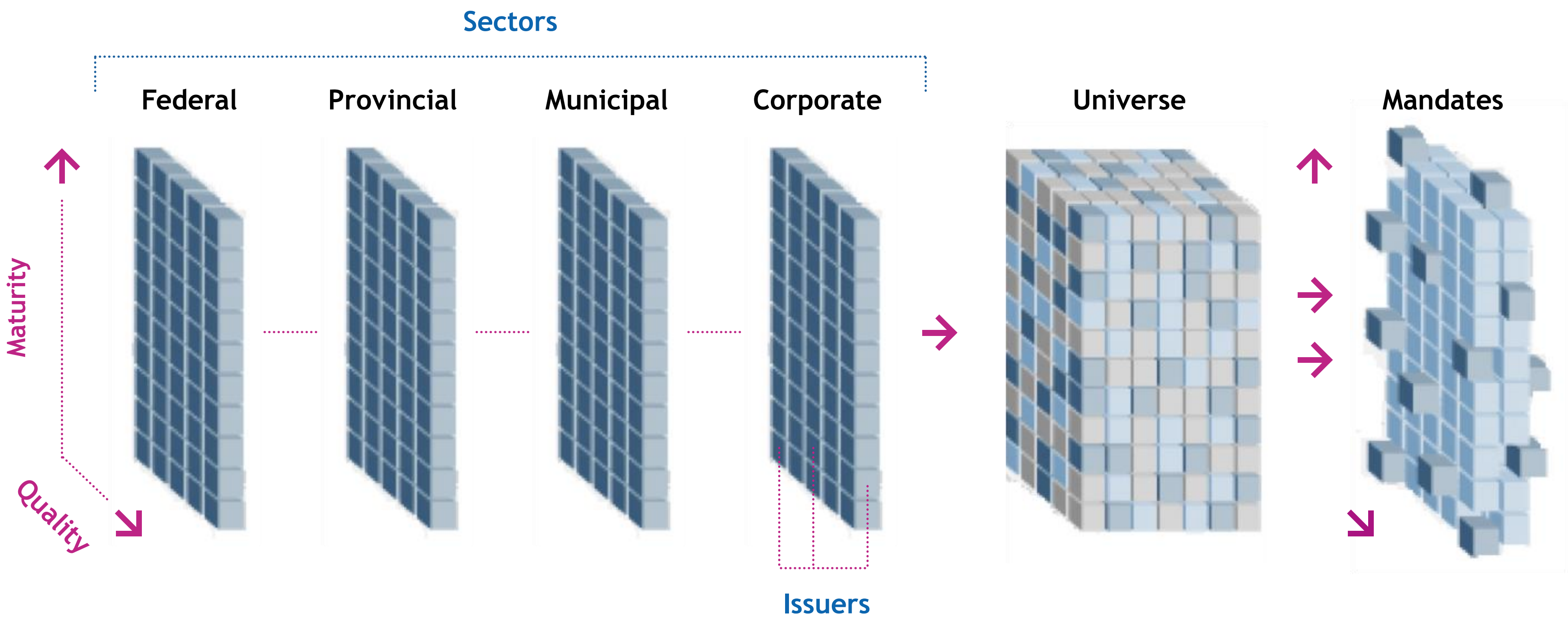
Goals:

To protect and enhance the long-term interests of clients and society

To generate competitive returns with positive community impact

We Believe a Diversified Multi-Strategy Approach Within a Strong Risk Framework is Optimal in Delivering Consistent Performance

- Diverse opportunity set
- Driven by fundamental macro research
- Can be applied to traditional or custom benchmarks

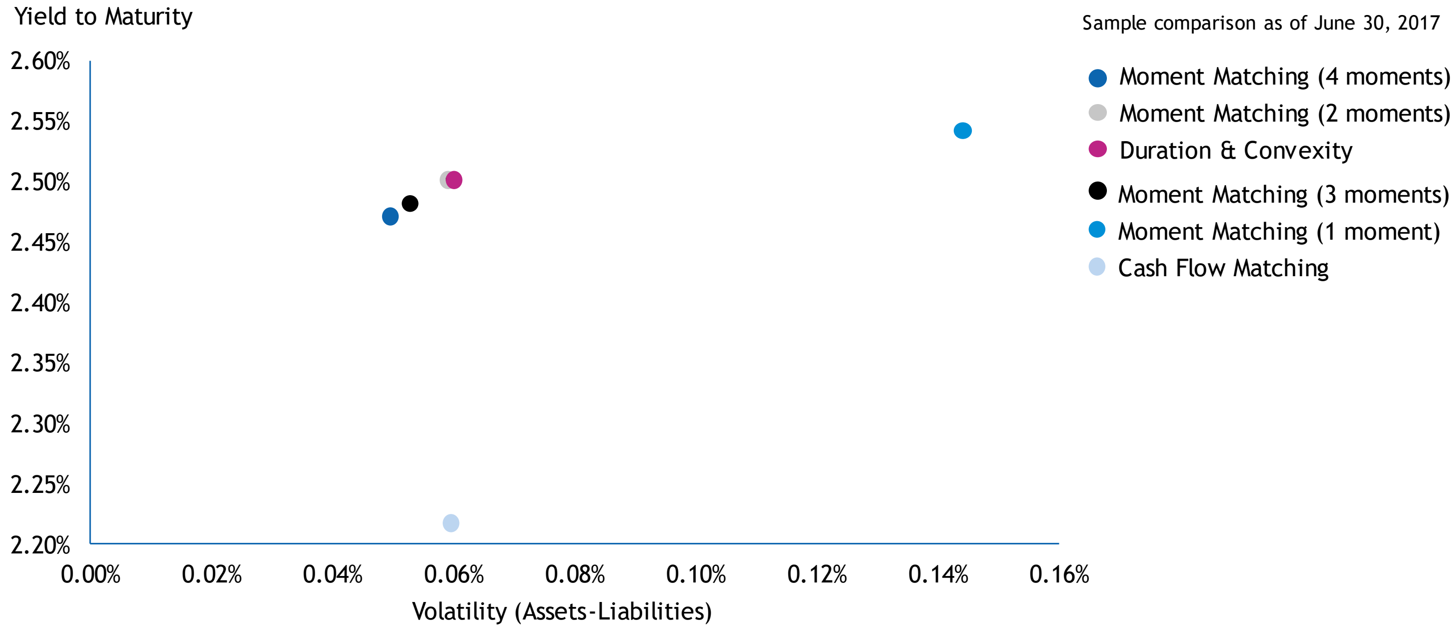


Approach to Liability Driven Investment Strategies

Core Bond process forms the basis of the investable universe

Formation of appropriate interest rate risk mitigation strategy

- Duration / Convexity
- Moment Matching
- Cash Flow Matching



Collection of required parameters for optimization

- Liability cash flow profile
- Investment policy constraints
  (asset class, weight, maturity, sector, credit rating)
- Universe of eligible securities
- Discounting method (construction of discount curve)

Optimization and implementation

Monitoring & Reporting - asset performance relative to liability benchmark, risk requirements and compliance with investment policy

Implementation Strategy Update

May 2018

Addenda Introduction to City of Toronto

2018

IMA review and authorization

Review and analysis of liability cash flows

2018

Formalization of mandate guidelines

Immunization strategy formulation

2018

Liability benchmark determination and refinement

Immunization strategy formulation

2018

Detailed asset portfolio review

Immunization strategy formulation

2018

Immunization strategy formulation

ALM model construction

2019

Optimization iterations completed

Portfolio risk review

2019

Implementation road map design

Custodial account access

Internal account creation

Compliance set-up

May 2019

Transfer of assets to Addenda Capital administration

$671.1 M as at May-1-2019

2019

Implementation of proposed strategy in measured fashion

81.4% of program complete

+22 bps of yield enhancement

+1.6 aggregate duration

2019 Fixed Income Outlook and Strategy

Macro Themes

- BoC and Fed maintain data dependent pause through 2019 → Manage interest rate risk (portfolio relative duration) with a long bias.
- Slower global economic growth, with limited inflation pressure, allows interest rates to trade in a lower range. → Potential for the yield curve to steepen as rate cuts may be priced into the curve.
- Canadian specific issues (housing, trade, tax) weigh on economy. → Trade unhedged US$ position to add value as the Canadian dollar remains weak.

Credit Themes

- Cautious overweight allocation due to central bank pivot. → Focus on high-quality fundamentals and securities less sensitive to credit spread widening.

Portfolio Strategy

- Manage interest rate risk (portfolio relative duration) with a long bias.
- Potential for the yield curve to steepen as rate cuts may be priced into the curve.
- Trade unhedged US$ position to add value as the Canadian dollar remains weak.
- Focus on high-quality fundamentals and securities less sensitive to credit spread widening.

Risks

- Economic growth slows more than expected due to the lagged effects of monetary policy tightening and Central banks are forced to reverse policy.
- Global trade threatened by protectionist trends leads to higher consumer inflation due to tariffs.
- Political change in Canada at the Federal level could be a positive catalyst for growth.

Disclaimer

FTSE TMX Global Debt Capital Markets Inc.

Refer to the Pooled Fund investment policies for more details regarding investment constraints.

Unless otherwise specified, assets are presented in Canadian dollars.