IB7.3 - Attachment 2B

City of Toronto (Toronto Investment Board) Period Ending 31 March 2020

Performance Review and Investment

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Executive Summary

Empower Results®

Trailing Period Performance

As of 31 March 2020

	Allocation		Performance (%)							
	Market Value ($000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception	Inception Date
Total Sinking Fund	1,140,201	100.0	-2.1	-	-	-	-	-	-1.2	1/07/2019
Sinking Fund Benchmark (1)			-0.1	-	-	-	-	-	1.5	
Value Added			-2.0	-	-	-	-	-	-2.7	
Fixed Income	991,005	86.9	0.3	-	-	-	-	-	0.3	1/07/2019
Combined LDI Benchmark			3.7	-	-	-	-	-	3.3	
Value Added			-3.4	-	-	-	-	-	-3.0	
Addenda LDI (2)	479,802	42.1	-1.9	-	-	-	-	-	-1.5	1/07/2019
Addenda LDI Benchmark			3.9	-	-	-	-	-	3.1	
Value Added			-5.8	-	-	-	-	-	-4.6	
Fiera LDI*	511,203	44.8	2.5	-	-	-	-	-	3.1	1/07/2019
Fiera LDI Benchmark			3.4	-	-	-	-	-	3.5	
Value Added			-0.9	-	-	-	-	-	-0.4	
Global Equity	149,196	13.1	-18.7	-	-	-	-	-	-16.9	1/11/2019
Pier 21 Global Equity (C.Worldwide)	57,977	5.1	-6.5 (9)	-	-	-	-	-	-4.3 (18)	1/11/2019
MSCI ACWI			-13.9 (53)	-	-	-	-	-	-10.0 (52)	
Value Added			7.4	-	-	-	-	-	5.7	
Oakmark Global Equity	44,581	3.9	-28.3 (99)	-	-	-	-	-	-26.9 (100)	1/11/2019
MSCI ACWI			-13.9 (53)	-	-	-	-	-	-10.0 (52)	
Value Added			-14.4	-	-	-	-	-	-16.9	
Fiera Global Equity Focused Equity	46,638	4.1	-	-	-	-	-	-	-13.6 (43)	19/02/2020
MSCI ACWI			-	-	-	-	-	-	-14.7 (56)	
Value Added			-	-	-	-	-	-	1.1	

Parentheses contain percentile rankings.
(1) The benchmark return is calculated based on the weighted average return of the target asset mix of the sinking fund as specified in the SIPP. The plan is currently transitioning towards the target asset mix and is not fully allocated at the moment.
(2) Addenda and Fiera started the mandate using different methodology for managing their LDI mandate. Addenda matched the interest rate exposure of the sinking funds at the sub fund levels and Fiera matched it at an overall level by aggregating the sinking fund liabilities. Effective December 2019, Addenda reverted their methodology to match interest rate exposure of the sinking fund liabilities at an aggregate level.

Trailing Period Performance

As of 31 March 2020

	Allocation		Performance (%)									
	Market Value ($000)	%	1 Quarter		1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception		Inception Date
Total Long Term Fund (Active)	2,363,797	100.0	-1.5		-	-	-	-	-	-0.7		1/07/2019
Long Term Fund Benchmark (1)			-1.6		-	-	-	-	-	0.5		
Value Added			0.1		-	-	-	-	-	-1.2		
Fixed Income	2,057,700	87.1	1.0		-	-	-	-	-	1.4		1/07/2019
CC&L Long Term Fund (Active)	1,029,303	43.5	1.3	(28)	-	-	-	-	-	1.7	(32)	1/07/2019
FTSE Canada Universe Bond			1.6	(22)	-	-	-	-	-	1.9	(27)	
Value Added			-0.3		-	-	-	-	-	-0.2		
Leith Wheeler Long Term Fund (Active)	1,028,396	43.5	0.7	(63)	-	-	-	-	-	1.3	(66)	1/07/2019
FTSE Canada Universe Bond			1.6	(22)	-	-	-	-	-	1.9	(27)	
Value Added			-0.9		-	-	-	-	-	-0.6		
Global Equity	306,098	12.9	-18.8		-	-	-	-	-	-17.1		1/11/2019
Pier 21 Global Equity (C. Worldwide)	114,780	4.9	-6.5	(9)	-	-	-	-	-	-4.4	(18)	1/11/2019
MSCI ACWI			-13.9	(53)	-	-	-	-	-	-10.0	(52)	
Value Added			7.4		-	-	-	-	-	5.6		
Oakmark Global Equity	87,679	3.7	-28.3	(99)	-	-	-	-	-	-26.9	(100)	1/11/2019
MSCI ACWI			-13.9	(53)	-	-	-	-	-	-10.0	(52)	
Value Added			-14.4		-	-	-	-	-	-16.9		
Fiera Global Equity Focused Equity	103,639	4.4	-		-	-	-	-	-	-13.6	(43)	19/02/2020
MSCI ACWI			-		-	-	-	-	-	-14.7	(56)	
Value Added			-		-	-	-	-	-	1.1		

Parentheses contain percentile rankings.
(1) The benchmark return is calculated based on the weighted average return of the target asset mix of the long term fund as specified in the SIPP. The plan is currently transitioning towards the target asset mix and is not fully allocated at the moment.

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Trailing Period Performance

As of 31 March 2020

	Allocation		Performance (%)							
	Market Value ($000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception	Inception Date
Total Long Term Fund (Inactive)	466,367	19.7								
CC&L Long Term Fund (Inactive)	232,744	9.8								
Leith Wheeler Long Term Fund (Inactive)	233,622	9.9								

Parentheses contain percentile rankings.
(1) The benchmark return is calculated based on the weighted average return of the target asset mix of the long term fund as specified in the SIPP. The plan is currently transitioning towards the target asset mix and is not fully allocated at the moment.

Empower Results®

Commentary and Recommendations

As of 31 March 2020

Mandate	Comments	Recommendations
Sinking Fund	▪ The market value of total sinking fund assets as of 31 March 2020 was approximately \$1.1 billion. ▪ The total sinking fund returned -2.1% over the quarter and -1.2% since inception. ▪ Fiera Global Equity Focused fund was added in February 2020.	▪ Continue to monitor.
Fixed Income		
Addenda	▪ The market value of total Addenda sinking fund assets as of 31 March 2020 was approximately \$479 million. ▪ The fund returned -1.9% over the quarter, underperforming the Liability benchmark by 5.8%. – The fund underperformed mainly due to widening of credit spreads (520 basis point relative impact) and security selection.	▪ No action required.
Fiera	▪ The market value of total Fiera sinking fund assets as of 31 March 2020 was approximately \$511 million. ▪ The fund returned 2.5% over the quarter, underperforming the Liability benchmark by 0.9%. – The fund underperformed mainly due to yield curve positioning (70 basis points relative impact), as the fund had shorter duration than the benchmark and the yields decreased significantly over the quarter. Widening of credit spreads (30 basis points relative impact) also weighed on relative performance.	▪ No action required.

Commentary and Recommendations

As of 31 March 2020

Mandate	Comments	Recommendations
Global Equity		
Pier 21 (C.WorldWide)	▪ The market value of Pier 21 sinking fund assets as of 31 March 2020 was approximately $58 million. ▪ The fund returned -6.5% over the quarter outperforming the benchmark return by 7.4%.	▪ No action required.
Oakmark/Harris	▪ The market value of Oakmark sinking fund assets as of 31 March 2020 was approximately $45 million. ▪ The fund returned -28.3% over the quarter, underperforming the benchmark return by 14.4%. – The value and small cap bias of the portfolio weighed on relative returns as each of these factors significantly underperformed the broader market in the first quarter.	▪ No action required.
Fiera (Equity)	▪ Fiera Focused Global Equity mandate was funded on February 19th, 2020. ▪ The market value of Fiera Focused Global Equity sinking fund assets as of 31 March 2020 was approximately $47 million. ▪ The fund returned -13.6% since inception, outperforming the benchmark by 1.1%.	▪ No action required.

Commentary and Recommendations

As of 31 March 2020

Mandate	Comments	Recommendations
Long Term Fund	▪ The market value of total long-term fund assets as of 31 March 2020 was approximately $2.4 billion. ▪ The total long-term fund returned -1.5% over the quarter and -0.7% since inception. ▪ Fiera Global Equity Focused fund was added in February 2020.	▪ Continue to monitor.
Fixed Income		
CC&L	▪ The market value of CC&L long term fund (active account) assets as of 31 March 2020 were approximately $1.0 billion. ▪ The fund returned 1.3% over the quarter, underperforming the FTSE Canada Universe Bond Index by 0.3%. – The fund underperformed the benchmark due to widening credit spreads and overweight allocation to corporate and provincial bonds. In addition, allocation to real return bonds also weighed on returns due to decline in inflation expectations. ▪ The market value of CC&L long term fund (inactive account) assets as of 31 March 2020 was approximately $233 million.	▪ No action required.
Leith Wheeler	▪ The market value of Leith Wheeler long term fund (active account) assets as of 31 March 2020 was approximately $1.0 billion. ▪ The fund returned 0.7% over the quarter, outperforming the FTSE Canada Universe Bond Index by 0.9%. – The fund underperformed the benchmark due to overweight position in real return bonds, which were negatively impacted due to decline in inflation expectations. ▪ The market value of Leith Wheeler long term fund (inactive account) assets as of 31 March 2020 was approximately $234 million.	▪ No action required.

Commentary and Recommendations

As of 31 March 2020

Mandate	Comments	Recommendations
Global Equity		
Pier 21 (C.WorldWide)	▪ The market value of Pier 21 sinking fund assets as of 31 March 2020 was approximately $114.8 million. ▪ The fund returned -6.5% over the quarter outperforming the benchmark return by 7.4%.	▪ No action required.
Oakmark/Harris	▪ The market value of Oakmark sinking fund assets as of 31 March 2020 was approximately $87.7 million. ▪ The fund returned -28.3% over the quarter, underperforming the benchmark return by 14.4%. – The value and small cap bias of the portfolio weighed on relative returns as each of these factors significantly underperformed the broader market in the first quarter.	▪ No action required.
Fiera	▪ Fiera Focused Global Equity mandate was funded on February 19th, 2020. ▪ The market value of Fiera Focused Global Equity sinking fund assets as of 31 March 2020 was approximately $103.6 million. ▪ The fund returned -13.6% since inception, outperforming the benchmark by 1.1%.	▪ No action required.

Capital Market Performance

Major Capital Markets' Returns

As of 31 March 2020

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Equity								
S&P/TSX Composite	-20.9	-20.9	-14.2	-3.7	-1.9	2.9	0.9	4.1
S&P 500	-12.1	-12.1	-1.3	5.8	7.3	10.5	9.2	14.2
S&P 500 (USD)	-19.6	-19.6	-7.0	0.9	5.1	8.0	6.7	10.5
MSCI EAFE (Net)	-15.7	-15.7	-9.2	-4.8	0.2	3.7	1.6	6.2
MSCI World (Net)	-13.7	-13.7	-5.0	1.2	4.0	7.4	5.6	10.2
MSCI ACWI (Net)	-13.7	-13.7	-5.4	0.3	3.7	7.3	5.3	9.5
MSCI Emerging Markets (Net)	-16.1	-16.1	-12.3	-8.3	0.5	5.3	2.0	4.2
Real Estate								
MSCI/REALPAC Canada Annual Property	-0.4	-0.4	4.6	6.2	6.5	6.5	6.7	9.1
MSCI/REALPAC Canada Quarterly Property Fund	1.7	1.7	9.1	8.6	8.6	8.1	7.6	9.0
Fixed Income								
FTSE Canada Universe Bond	1.6	1.6	4.5	4.9	3.7	3.1	2.7	4.3
FTSE Canada Long Term Overall Bond	0.2	0.2	5.6	6.4	6.0	4.9	3.8	6.8
FTSE Canada 91 Day TBill	0.7	0.7	1.9	1.7	1.4	1.2	1.0	1.0
Consumer Price Index								
Canadian CPI, unadjusted	0.1	0.1	0.9	1.4	1.7	1.7	1.6	1.7

Canadian Equities

The S&P/TSX Composite Index returned -20.9% in the first quarter of 2020. Performance was negative across all sectors led by Energy (-37.2%), Health Care (-37.1%) and Consumer Discretionary (-32.8%). The best performing sectors were Information Technology (-3.7%) and Utilities (-5.3%). Growth stocks outperformed value stocks (-12.9% vs.-27.7% respectively). During the 12 months ending 31 March 2020, growth stocks outperformed value stocks (-6.4% vs.-21.6% respectively). The S&P/TSX Composite Index returned -14.2% for the 12-month period. Health Care (-62.4%) was the worst performer followed by Energy (-33.9%) and Consumer Discretionary (-29.5%). Information Technology (+26.1%) and Utilities (+12.2%) were the best performing sectors.

U.S. Equities

The S&P 500 Index returned -12.1% in the quarter in Canadian dollar terms. Performance was negative across all sectors led by Energy (-45.6%), Financials (-25.3%) and Industrials (-19.9%). The best performing sectors were Information Technology (-3.3%) and Health Care (-4.1%). During the 12 months to 31 March 2020, the S&P 500 Index returned -1.3% in Canadian dollar terms. The best performing sector was Information Technology (+17.7%), while Energy (-49.3%) and Industrials (-14.2%) were the worst performers.

Non-North American Equities

The MSCI EAFE Index returned -15.7% in the quarter in Canadian dollar terms. Apart from Health Care (0.0%), all sectors showed negative returns. The worst performing sectors were Energy (-30.0%), Financials (-24.9%) and Real Estate (-20.5%). For the 12 months to 31 March 2020, the Index returned -9.2% in Canadian dollar terms. The worst performing sectors were Energy (-33.8%) and Real Estate (-22.3%), while the best performers were Health Care (+14.1%) and Information Technology (+4.7%).

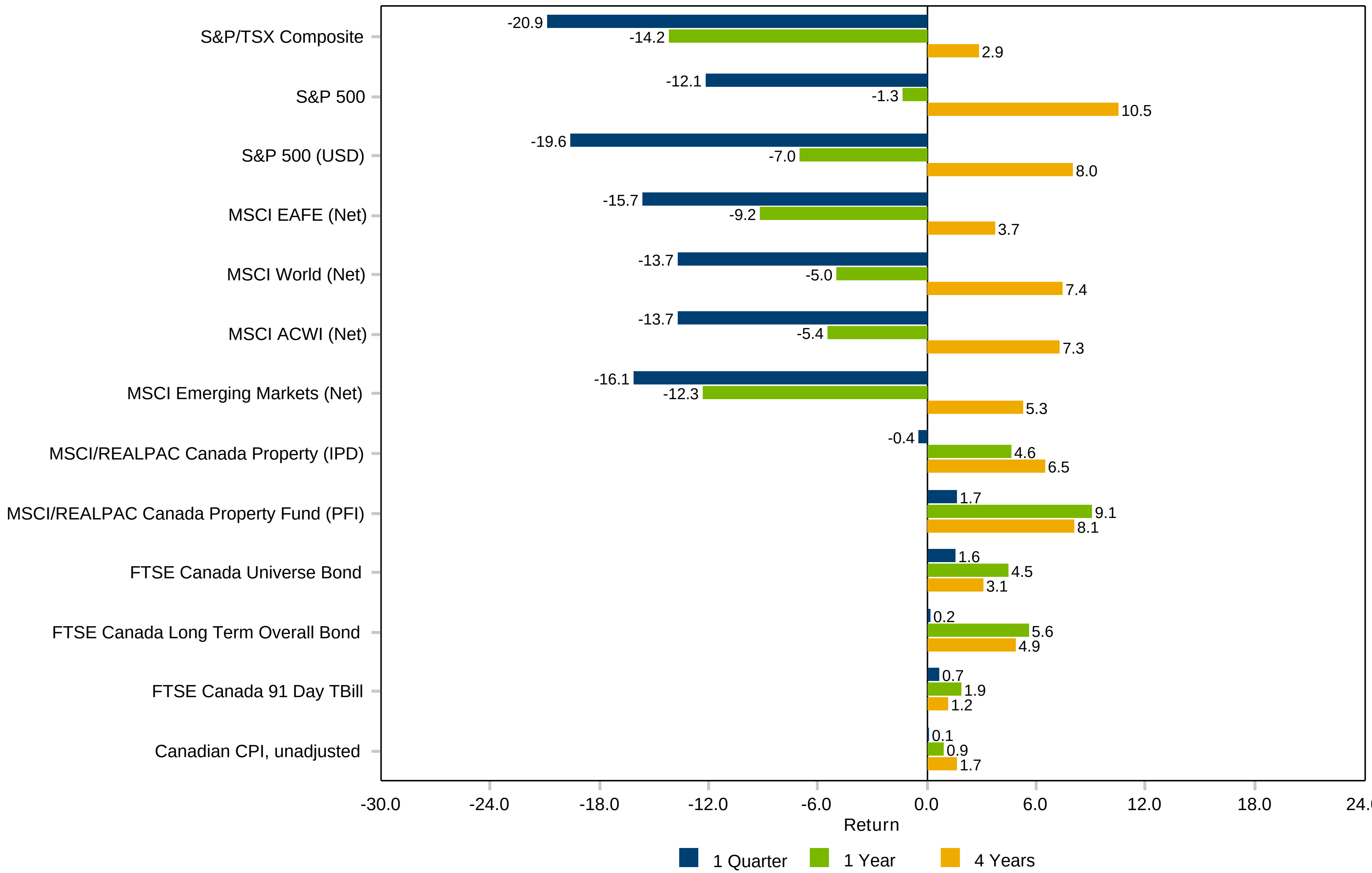
Fixed Income

The Canadian bond market, as measured by the FTSE Canada Universe Bond Index, returned +1.6% over the last quarter. Federal bonds (+5.1%) outperformed Provincial bonds (+1.3%) and Corporate bonds (-2.5%). From a term perspective, medium duration bonds (+3.3%) outperformed short duration (+1.9%) and long duration bonds (+0.2%). Bond market performance over the 12 months to 31 March 2020 was led by Federal bonds (+6.4%) which outperformed Provincial bonds (+5.0%) and Corporate bonds (+1.3%). Long duration (+5.6%) and medium duration bonds (+5.3%) outperformed short duration bonds (+3.2%) for the 12-month period.

Returns for periods greater than one year are annualized. Sector returns are sourced from MSCI.

Comparative Performance

As of 31 March 2020



Sinking Fund

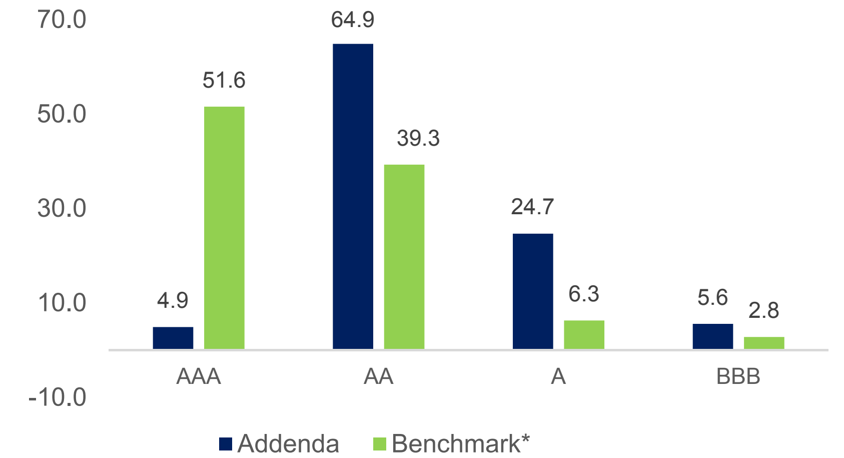
Fixed Income - Liability Driven Investment

Characteristics and Performance Attribution

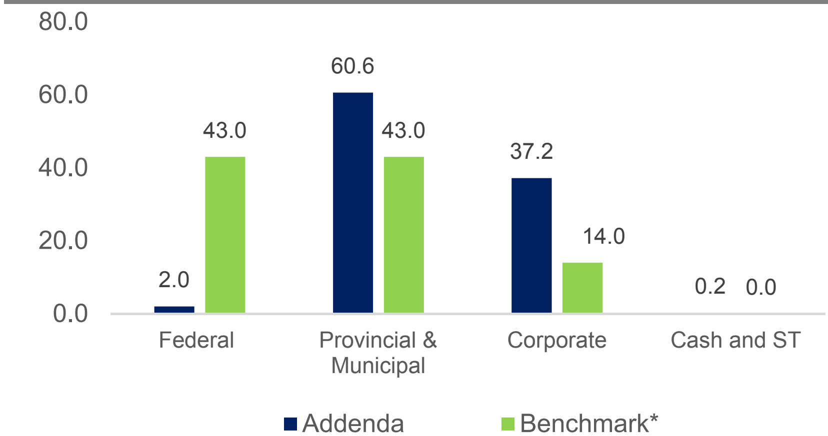
Addenda Sinking Fund Characteristics and Performance Attribution

As of 31 March 2020

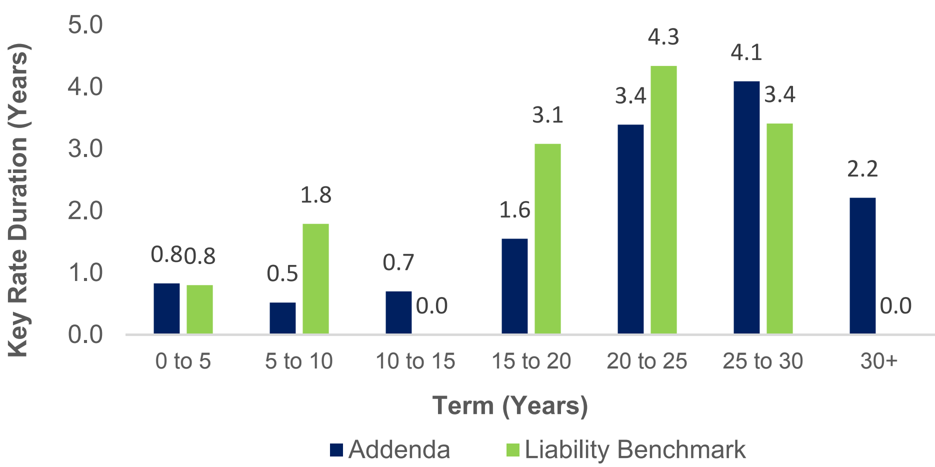
Credit Quality



Sector Distribution (%)



Key Rate Duration



Performance Attribution (vs Liability Benchmark) (%)

Curve effect	-0.2
Carry	0.0
Provincial Spread Change	-3.3
Corporate Spread Change	-1.9
Roll Down/Carry Spread	0.1
Security Selection	-0.5
Total	**-5.8**

Portfolio Duration **13.3**

Liability Duration **13.4**

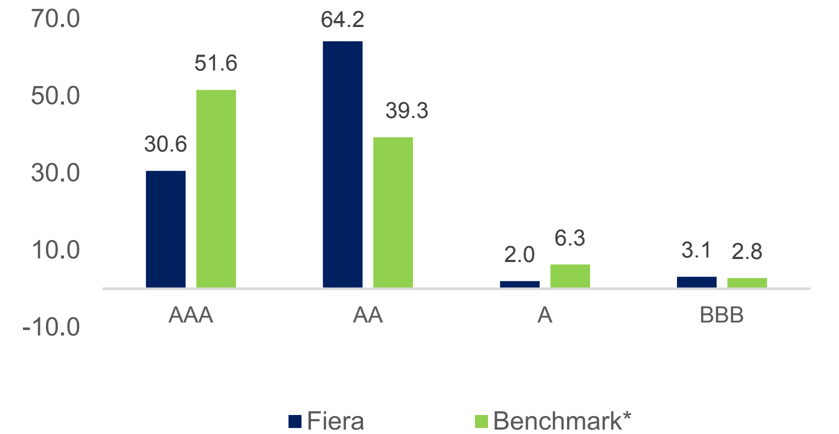
*Benchmark specified in LDI mandate with target weights of 43% Federal, 43% Provincial and Municipal and 14% Corporate

Characteristics and Performance Attribution

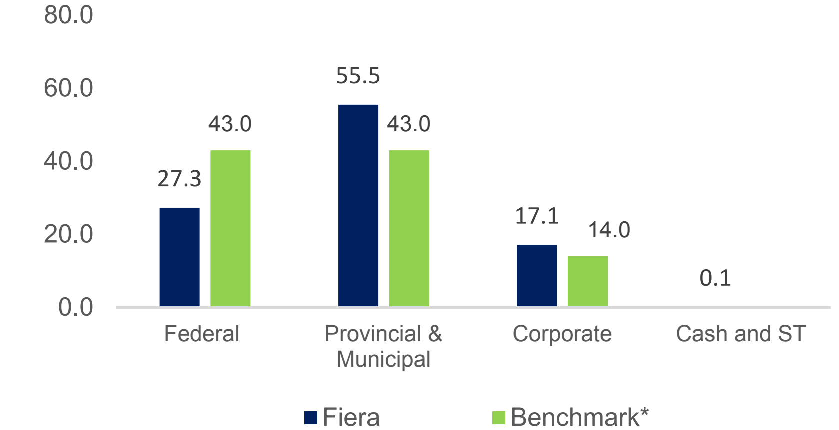
Fiera Sinking Fund Characteristics and Performance Attribution

As of 31 March 2020

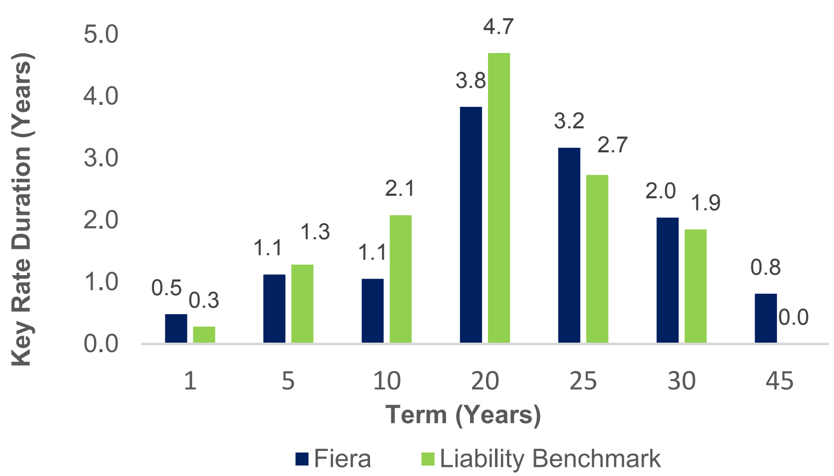
Credit Quality



Sector Distribution (%)



Key Rate Duration



Performance Attribution (vs Liability Benchmark) (%)

Curve effect	-0.7
Carry	0.0
Provincial & Municipal Spread	0.1
Corporate Spread	-0.3
Residual	-0.0
Total	**-0.9**

Portfolio Duration **12.5**

Liability Duration **12.9**

*Benchmark specified in LDI mandate with target weights of 43% Federal, 43% Provincial and Municipal and 14% Corporate

Long Term Fund

Fixed Income - Core

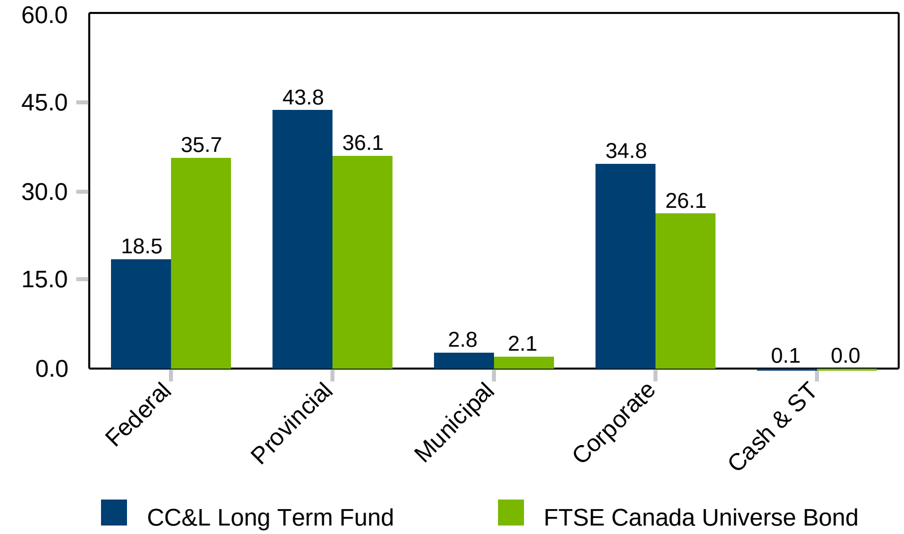
CC&L Long Term Fund Characteristics

As of 31 March 2020

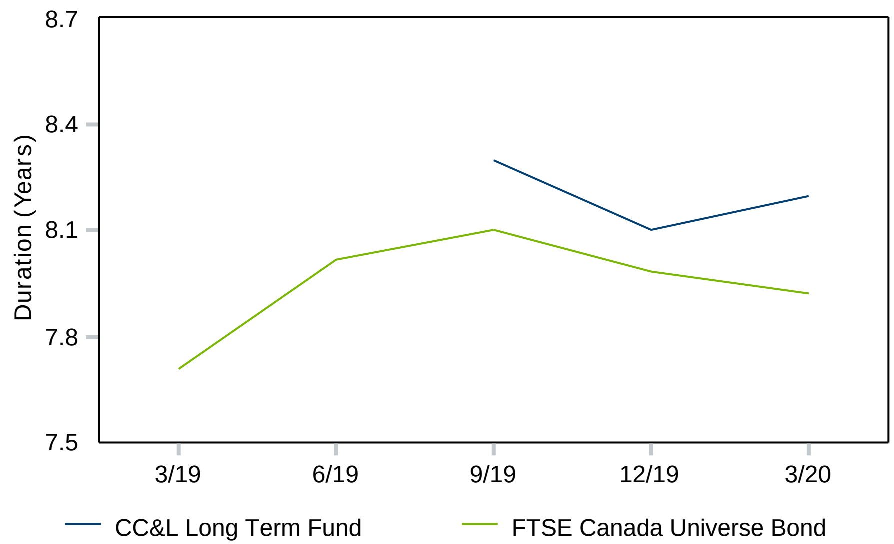
Portfolio Characteristics

	Portfolio	Benchmark
Modified Duration	8.2	7.9
Avg. Maturity	11.0	10.7
Avg. Quality	AA	AA
Yield To Maturity (%)	2.1	1.9

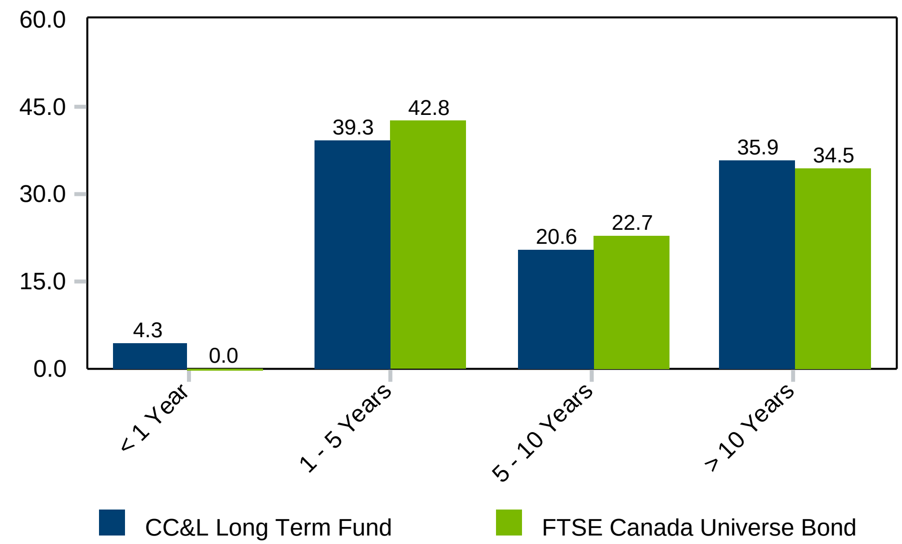
Sector Distribution (%)



Changes in Duration



Maturity Distribution (%)



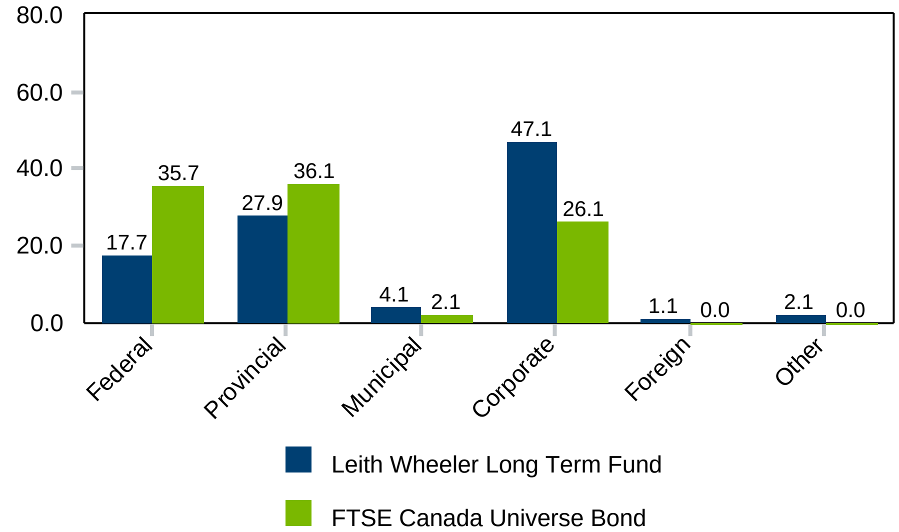
Leith Wheeler Long Term Fund Characteristics

As of 31 March 2020

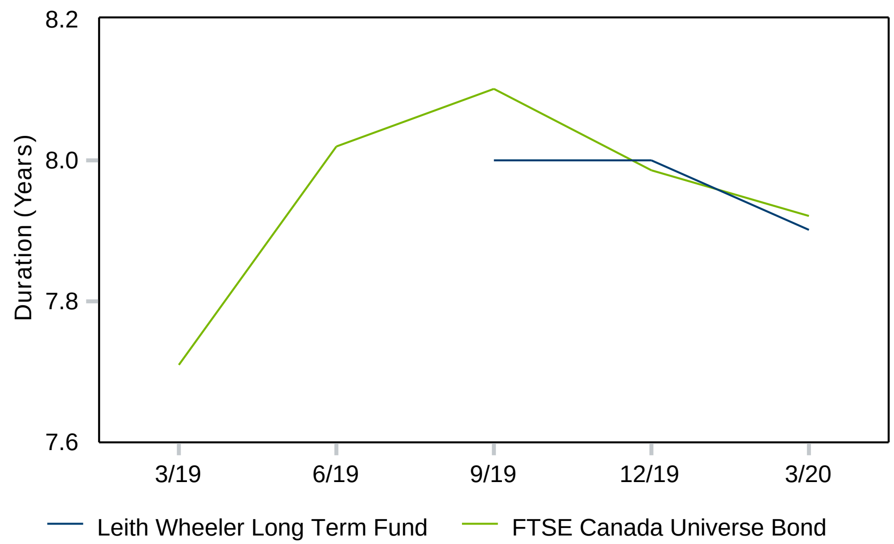
Portfolio Characteristics

	Portfolio	Benchmark
Modified Duration	7.9	7.9
Avg. Maturity	10.7	10.7
Avg. Quality	AA	AA
Yield To Maturity (%)	2.3	1.9

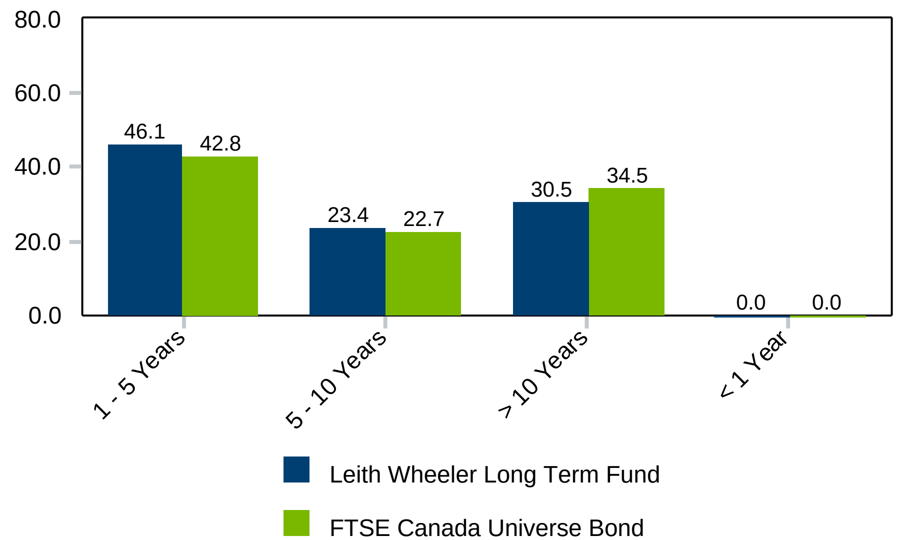
Sector Distribution (%)



Changes in Duration



Maturity Distribution (%)



Appendix A - Sub Sinking Funds Performance

Empower Results®

Trailing Period Performance

As of 31 March 2020

	Allocation		Performance (%)							
	Market Value ($000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception	Inception Date
Fixed Income										
Addenda Aggregate*	479,802		-1.9	-	-	-	-	-	-1.5	1/07/2019
Addenda LDI Benchmark			3.9	-	-	-	-	-	3.1	
Value Added			-5.8	-	-	-	-	-	-4.6	
Addenda 2%	43,965		-2.6	-	-	-	-	-	-2.3	1/07/2019
Addenda 2.5%	27,961		-6.6	-	-	-	-	-	-5.1	1/07/2019
Addenda 3.5%	231,820		-1.1	-	-	-	-	-	-1.0	1/07/2019
Addenda 4%	104,527		-3.1	-	-	-	-	-	-2.2	1/07/2019
Addenda 5%	71,530		-0.3	-	-	-	-	-	-0.6	1/07/2019
Fiera Aggregate*	511,203		2.5	-	-	-	-	-	3.1	1/07/2019
Fiera LDI Benchmark			3.4	-	-	-	-	-	3.5	
Value Added			-0.9	-	-	-	-	-	-0.4	
Fiera 2%	46,952		3.7	-	-	-	-	-	3.8	1/07/2019
Fiera 2.5%	30,712		2.3	-	-	-	-	-	2.6	1/07/2019
Fiera 3.5%	243,119		3.4	-	-	-	-	-	3.7	1/07/2019
Fiera 4%	115,568		-0.1	-	-	-	-	-	1.2	1/07/2019
Fiera 5%	74,852		3.2	-	-	-	-	-	3.3	1/07/2019

*Addenda and Fiera started the mandate using different methodology for managing their LDI mandate. Addenda matched the interest rate exposure of the sinking funds at the sub fund levels and Fiera matched it at an overall level by aggregating the sinking fund liabilities. Effective December 2019, Addenda reverted their methodology to match interest rate exposure of the sinking fund liabilities at an aggregate level.

Trailing Period Performance

As of 31 March 2020

	Allocation		Performance (%)							
	Market Value ($000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception	Inception Date
Global Equity										
Oakmark Funds Aggregate	44,581		-28.3	-	-	-	-	-	-26.9	1/11/2019
MSCI ACWI (CAD)			-13.6	-	-	-	-	-	-9.5	
Value Added			-14.7	-	-	-	-	-	-17.4	
Oakmark 2%	11,946		-28.3	-	-	-	-	-	-26.9	1/11/2019
Oakmark 2.5%	4,926		-28.3	-	-	-	-	-	-27.0	1/12/2019
Oakmark 3.5%	18,403		-28.3	-	-	-	-	-	-26.9	1/11/2019
Oakmark 4%	9,306		-28.3	-	-	-	-	-	-27.0	1/12/2019
Pier 21 Aggregate	57,977		-6.5	-	-	-	-	-	-4.3	1/11/2019
MSCI ACWI (CAD)			-13.6	-	-	-	-	-	-9.5	
Value Added			7.1	-	-	-	-	-	5.2	
Pier 21 2%	15,639		-6.5	-	-	-	-	-	-4.4	1/11/2019
Pier 21 2.5%	6,366		-6.5	-	-	-	-	-	-5.7	1/12/2019
Pier 21 3.5%	23,948		-6.5	-	-	-	-	-	-4.4	1/11/2019
Pier 21 4%	12,024		-6.5	-	-	-	-	-	-5.7	1/12/2019
Fiera Global Equity Focused Aggregate	46,638		-	-	-	-	-	-	-13.6	19/02/2020
MSCI ACWI (CAD)			-	-	-	-	-	-	-14.3	
Value Added			-	-	-	-	-	-	0.7	
Fiera Global Equity Focused 2%	5,182		-	-	-	-	-	-	-13.6	19/02/2020
Fiera Global Equity Focused 2.5%	6,046		-	-	-	-	-	-	-13.6	19/02/2020
Fiera Global Equity Focused 3.5%	25,910		-	-	-	-	-	-	-13.6	19/02/2020
Fiera Global Equity Focused 4%	9,500		-	-	-	-	-	-	-13.6	19/02/2020

*Addenda and Fiera started the mandate using different methodology for managing their LDI mandate. Addenda matched the interest rate exposure of the sinking funds at the sub fund levels and Fiera matched it at an overall level by aggregating the sinking fund liabilities. Effective December 2019, Addenda reverted their methodology to match interest rate exposure of the sinking fund liabilities at an aggregate level.

Appendix B - Plan Information

Plan Information

Summary of Investment Objective

The investment policy contains specific performance objectives for the fund and the investment managers.
All investment rates of return are measured over moving four-year periods.

Returns will be calculated on a time-weighted basis, before investment fees, and compared to the benchmarks described below.

Asset Class	Benchmark	Target Weights
Global Equity	MSCI ACWI (CAD)	20.00%
Real Estate	Canadian CPI + 5%	10.00%
Fixed Income	FTSE Canada Universe Bond Index / Custom LDI Benchmark	70.00%

The table above applies to Long Term Fund and Sinking Fund. However, due to the nature of the liabilities for Sinking Fund, a custom LDI benchmark is required for assessing performance of the Investment Managers.

Appendix C - Manager Update

Manager Updates

As of 31 March 2020

Fiera Capital

Q1 2020

Business

In Q1 2020, Fiera Capital launched the Global Impact Fund, a multi-asset class portfolio aiming to identify investment opportunities having a material impact on society. The Fiera Comox Private Credit Opportunities investment strategy was also launched.

Moreover, the Canadian Equity Opportunities Fund, Canadian Equity Opportunities Focused Fund and Canadian Equity Opportunities Ethical ESG Funds were closed during the quarter.

Staff

In January, Fiera Capital promoted the following:

- Vincent Beaulieu to Assistant Vice President, Investment Risk and Responsible Investing
- Yvonne Davidson to Senior Vice President, Global Distribution Strategy and Fiera Private Alternative Investments
- Peter McFarlane to Senior Vice-President, Head of Investment Operations
- William Secnik to Senior Vice-President, Fund Manager of Fiera Real Estate

In March, Fiera Capital promoted the following:

- Jean-Philippe Lemay to Global President and Chief Operating Officer
- Vincent Duhamel to Vice-Chairman of Fiera Capital's Board of Directors
- Julien Ronsi to Vice-President, Institutional Markets
- Nicolas Trottier to Vice-President, Institutional Markets

During the quarter, Fiera Capital announced the appointment of Michel Piette to the role of Senior Vice-President, Institutional Markets and Rick O'Dell to the role of Senior Vice-President, Global Platform Solutions, Fiera Real Estate.

In March, Jens Ehlers, Chief Financial Officer, Fiera Real Estate left the firm.

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Manager Updates

As of 31 March 2020

C WorldWide Asset Management ("C WorldWide")

Q1 2020

Business
C WorldWide’s assets under management stood at $23.9 billion CAD as of quarter end.

Staff
There were no significant events.

Connor, Clark & Lunn ("CC&L")

Q1 2020

Business
There were no significant events.

Staff
Effective March 2020, Mike Freund, Co-CEO of the CC&L Financial Group, relinquished his responsibilities as a member of the Board. He remains co-CEO of the CC&L FInancial Group.

Leith Wheeler Investment Counsel Ltd. ("Leith Wheeler")

Q1 2020

Business
There were no significant events.

Staff
There were no significant events.

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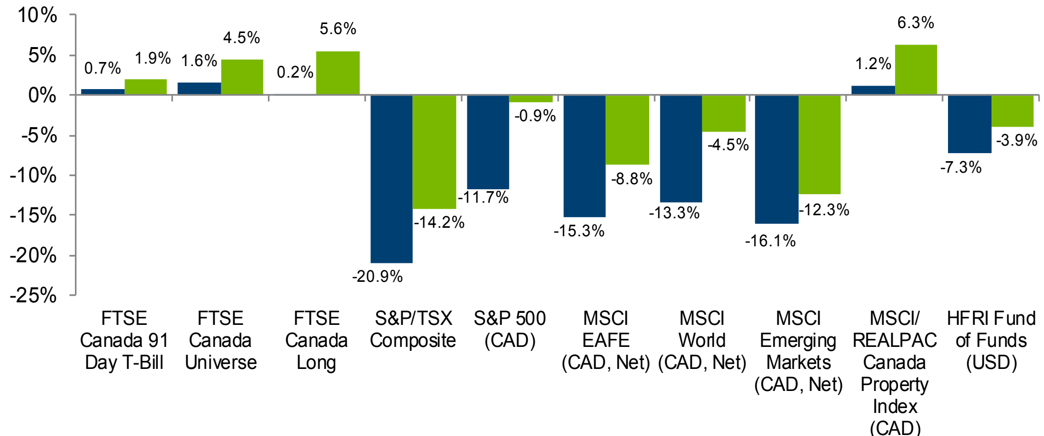
Appendix D - Capital Market Environment

Capital Markets Environment

As of 31 March 2020

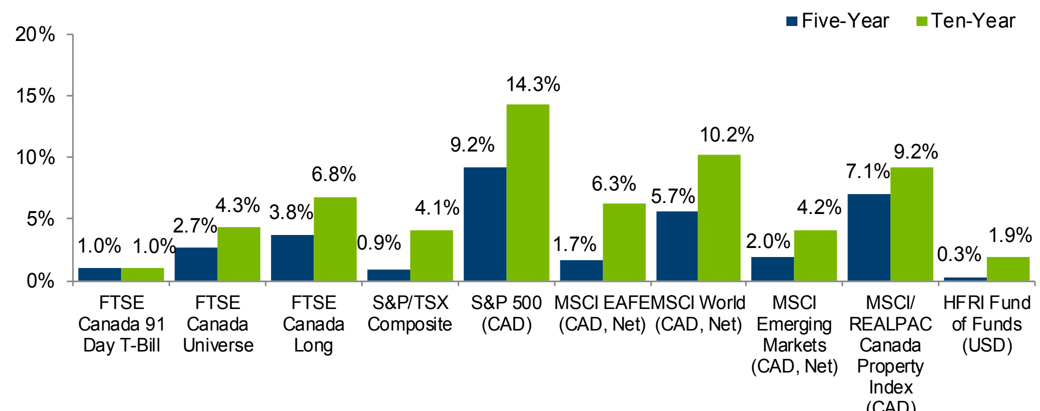
- A decade-long bull market came to an abrupt halt as the COVID-19 outbreak in China turned into a global pandemic. After reaching all-time highs in mid-February, global equities sold off sharply as infection numbers grew and governments worldwide ramped up virus containment measures. With much of the economy shuttered, a deep global recession appears to be inevitable despite unprecedented fiscal and monetary stimulus measures. In Canadian dollar terms, the MSCI All Countries World Index fell by 13.7% in Q1 2020 while Canadian equities fell more sharply at 20.9%.
- Huge fiscal and monetary stimulus measures helped markets to recover some of its losses towards the end of March. U.S. Congress passed a US$2.3 trillion fiscal stimulus package, the largest rescue package on record. Meanwhile, the U.S. Federal Reserve (the "Fed") announced two emergency rate cuts over the quarter, lowering the Fed Funds Rate target by a total of 150 basis points to 0.00%-0.25%. The Fed also relaunched quantitative easing, pledging to buy potentially unlimited amounts of treasury bonds, corporate bonds and other credit assets.
- The Bank of Canada (the "BoC") reduced its benchmark interest rates by a total of 150 basis points to 0.25%. The BoC also announced its first ever quantitative easing program, pledging to buy a minimum of C$5 billion in government bonds per week until the nation's recovery is "well underway".
- The Canadian economy grew at an annualized rate of 0.3% in Q4 2019, recording its worst performance in nearly four years. An eight-day railway strike, along with a temporary shutdown of the Keystone Pipeline following an oil leak, was a drag on growth.

SHORT TERM RETURNS AS OF 03/31/2020



Sources: S&P, MSCI, IPD, FTSE. Unless it's otherwise stated, gross CAD returns are shown in this report.

LONG TERM ANNUALIZED RETURNS AS OF 03/31/2020



Sources: S&P, MSCI, IPD, FTSE

Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

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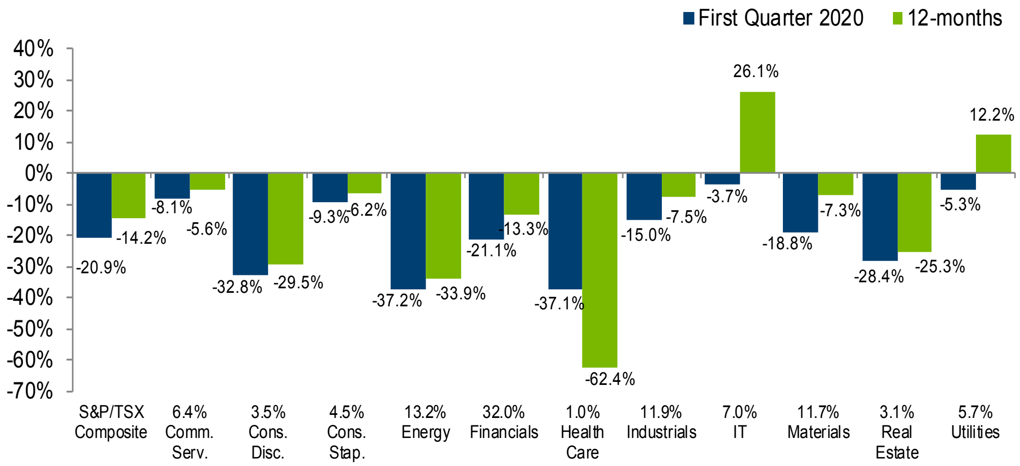
Capital Markets Environment

As of 31 March 2020

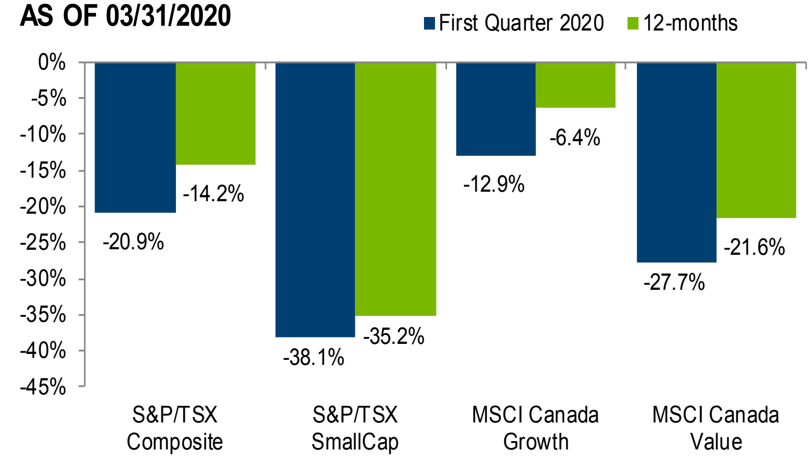
Canadian Equity Markets

S&P/TSX COMPOSITE SECTOR RETURNS (CAD) AS OF 03/31/2020



Source: S&P

CANADIAN EQUITY STYLE/SIZE RETURNS (CAD) AS OF 03/31/2020



Source: S&P, MSCI

- The S&P/TSX Composite Index fell by 20.9% over the quarter with the Index briefly falling to its lowest level since 2011 before recovering some of the losses towards the end of the quarter. The Canadian equity market's heavy exposure to commodities suffered from the collapsing oil price over the quarter caused by a disagreement between OPEC and Russia over oil production, and lower global demand for commodities due to the pandemic.
- All sectors generated negative returns over the quarter. Information Technology (-3.7%) and Utilities (-5.3%) were the best performing sectors in Q1 2020, with these sectors experiencing relatively limited business interruptions from social distancing measures. On the flipside, Energy (-37.2%) was the worst performing sector.
- In Q1 2020 as measured by the MSCI Indices, Canadian Value stocks fell by 27.7%, underperforming Growth stocks which fell by 12.9%.
- As measured by the S&P/TSX Indices, small cap stocks (-38.1%) underperformed large cap stocks (-20.9%) in Q1 2020.

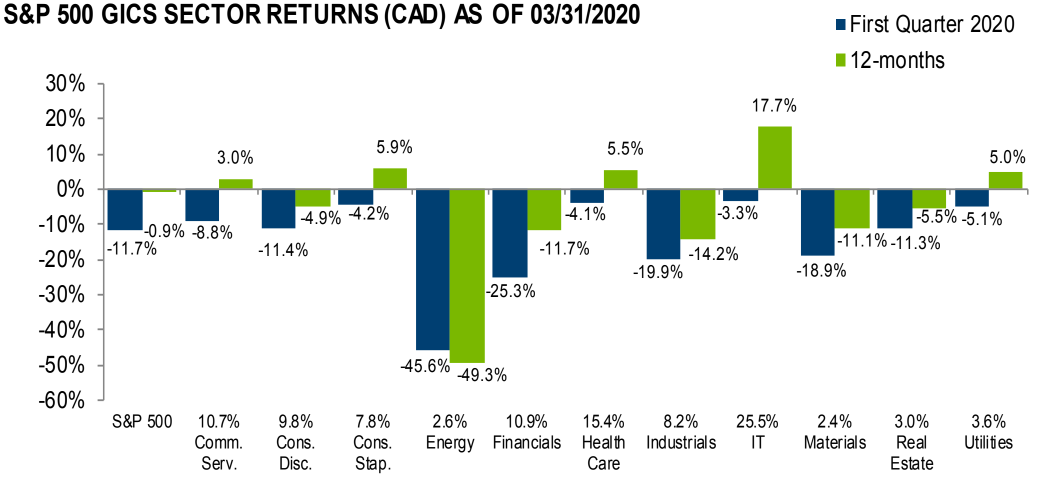
Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

Capital Markets Environment

As of 31 March 2020

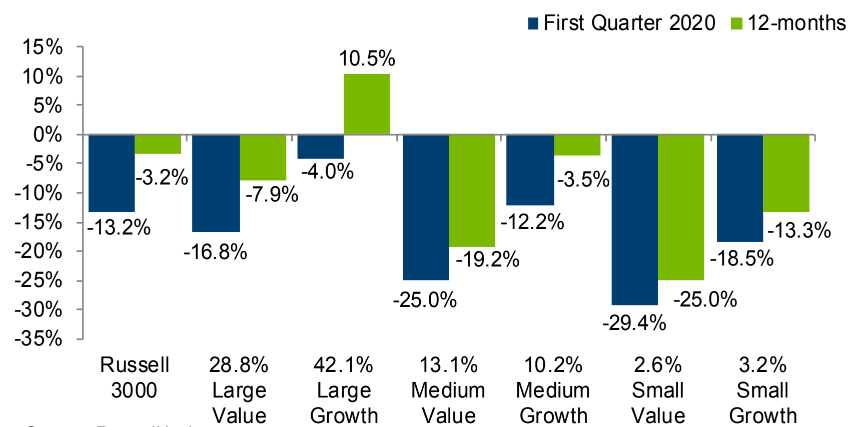
U.S. Equity Markets

S&P 500 GICS SECTOR RETURNS (CAD) AS OF 03/31/2020



Source: S&P

RUSSELL STYLE RETURNS (CAD) AS OF 03/31/2020



Source: Russell Indexes

- U.S. equities returned -19.6% in local terms with U.S. dollar appreciation on the back of “safe haven” fund flows bringing losses in Canadian dollar terms down to -11.7%. U.S. equities reached all-time highs in mid-February, boosted by the signing of a “phase one” U.S.-China trade deal and robust economic data releases. The market subsequently fell more than 20% below its peak in just over three weeks, recording the fastest bear market in history.
- The CBOE Volatility Index (the “VIX”), Wall Street’s “fear gauge”, reached a record high of 82.7 in the middle of March, before ending the quarter slightly lower at 53.5. The VIX averaged around 19.0 over the previous 12 months.
- All S&P sectors generated negative returns over the quarter. In particular, Energy (-45.6%) and Financial Services (-25.3%) were the worst performing sectors in Q1 2020.
- Performance was negative, according to Russell Indexes, across the market capitalization spectrum over the quarter. Small cap stocks underperformed both large and medium cap stocks over the quarter. Value stocks underperformed their growth counterparts in Q1 2020 and over the last 12 months.

Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

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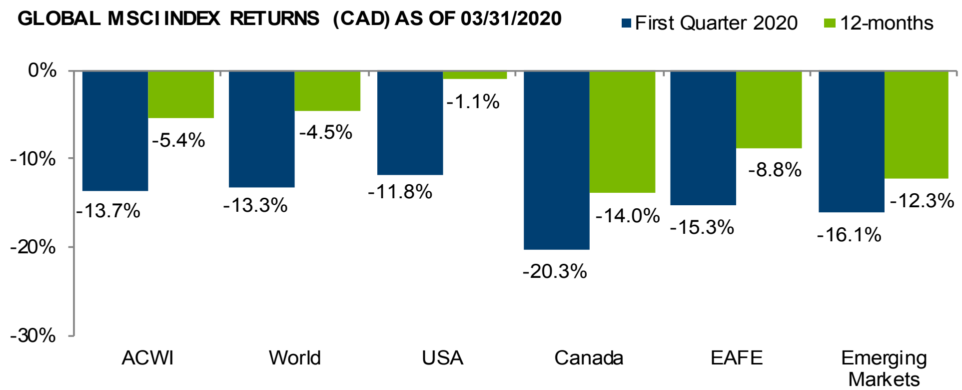
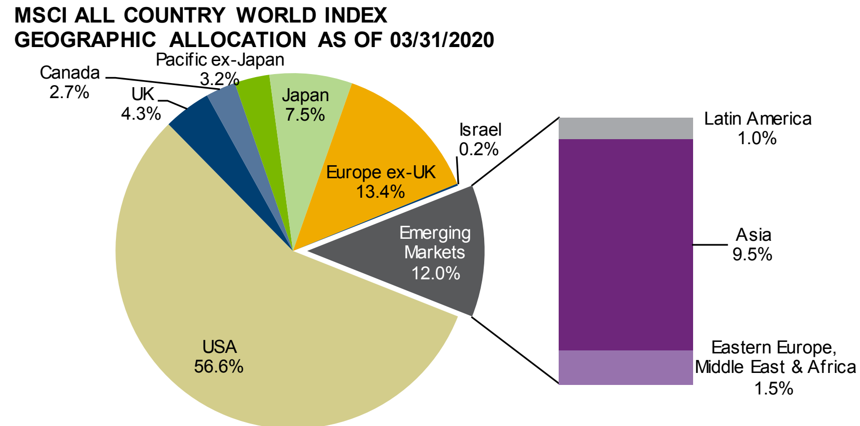
Capital Markets Environment

As of 31 March 2020

Global Equity Markets

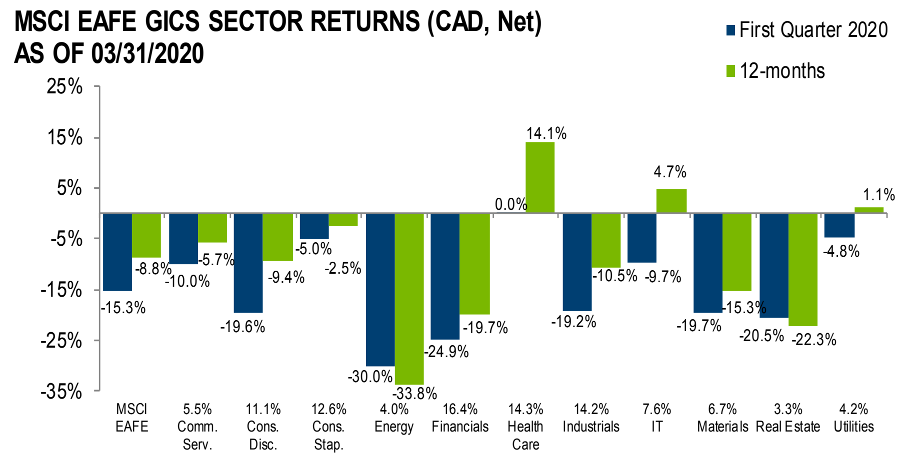


Source: MSCI. Gross returns shown for the MSCI Canada and USA indices, whilst net returns are shown for the other indices.



Source: MSCI

- The MSCI All Countries World Index ("ACWI") returned -13.7% in Canadian dollar terms over the quarter.
- EAFE equities returned -20.5% in local currency terms and -15.3% in Canadian dollar terms respectively over the quarter. Europe was amongst the worst impacted by COVID-19 with the region accounting for the majority of the world's confirmed cases as at the end of March. This deteriorating situation and the relatively limited scope for fiscal and monetary stimulus within the Eurozone compared to elsewhere was a drag on investor sentiment. UK equities returned -25.1% in local currency terms, with its sizeable resource sector, comprising Oil & Gas and Basic Materials companies, exposed to the crash in crude oil prices.
- EM stocks returned -16.1% in Canadian dollar terms over the quarter. While the COVID-19 outbreak hit China hard when it first spread out from Wuhan, Chinese equities were later boosted by signs of recovery from the outbreak. Elsewhere, equity markets in commodity-driven economies, such as Latin America and Russia, suffered sharp losses on the back of the collapse in oil prices.



Source: MSCI

- Within the MSCI EAFE Index, Energy (-30.0%) and Financials (-24.9%) were the worst performing sectors, while Health Care and Utilities were the best performing sectors at 0.0% and -4.8% respectively.

Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

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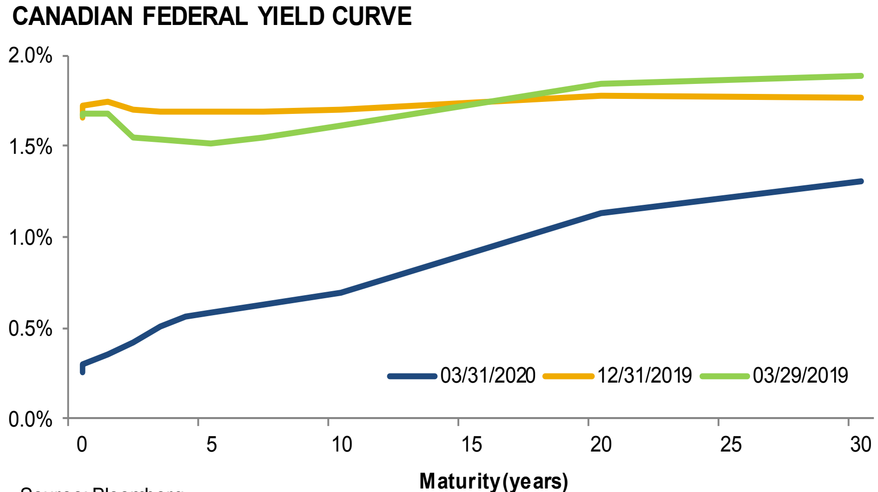
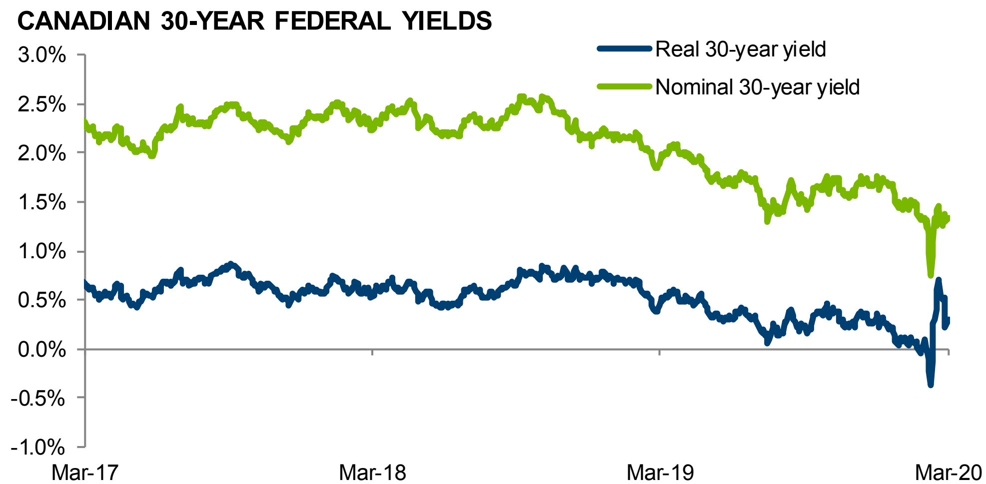
Capital Markets Environment

As of 31 March 2020

Canada Fixed Income Markets



Source: Bloomberg



Source: Bloomberg

- In line with major developed government bond markets worldwide, Canadian nominal government bond yields fell significantly across all maturities over the quarter. The Bank of Canada cut its benchmark interest rate by a total of 150 basis points to 0.25%, and investors, mindful of the potentially long road to economic recovery ahead, are expecting rates to remain close to zero for a while yet. Meanwhile, increased demand for government bonds from investors seeking “safe haven” assets amidst an equity market sell-off, and from central banks implementing quantitative easing measures, drove prices up and yields down further.

- The 10-year Canadian government bond yield fell by 101 basis points over the quarter to 0.70%, while the 30-year Canadian government bond yield fell by 46 basis points to 1.30%. 30-year real return bond yields remained unchanged over the quarter at 0.35%. A collapse in oil prices, along with the weaker economic growth outlook, contributed to the decline in inflationary expectations.

- U.S. nominal yields also fell sharply over the quarter. The 10-year U.S. treasury bond yield fell by 122 basis points to 0.70%, falling below 1% for the first time in its history. The 30-year U.S. Treasury bond yield began the quarter at 2.39% and ended the quarter at 1.35%, a decline of 104 basis points. The 30-year U.S. Treasury bond yield briefly closed below 1% on March 9, 2020, a sign of how stressed markets had become.

Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

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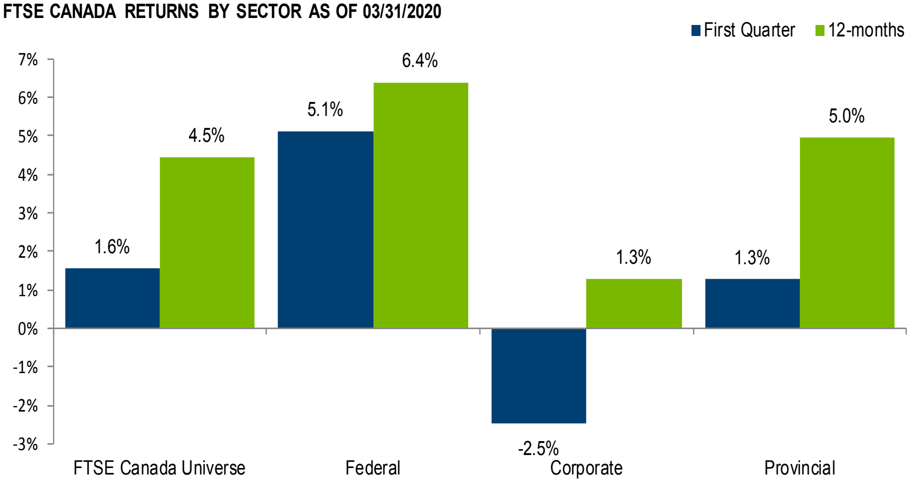
Capital Markets Environment

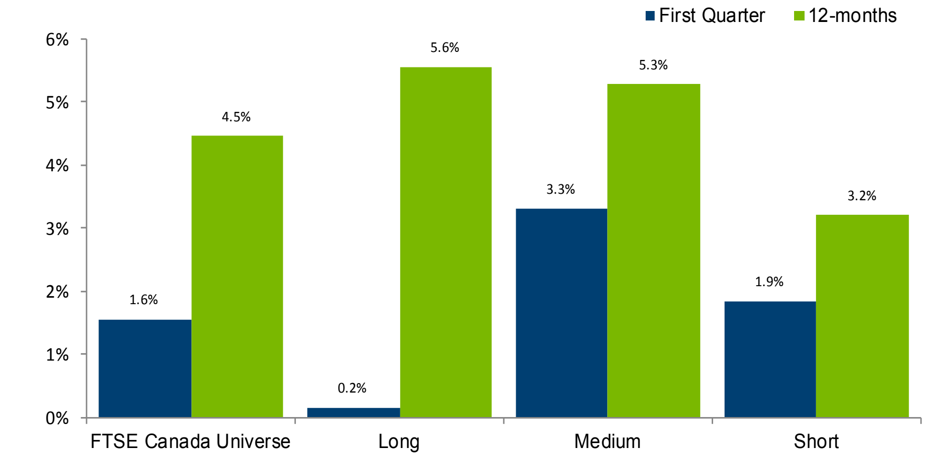
As of 31 March 2020

FTSE CANADA RETURNS BY SECTOR AS OF 03/31/2020



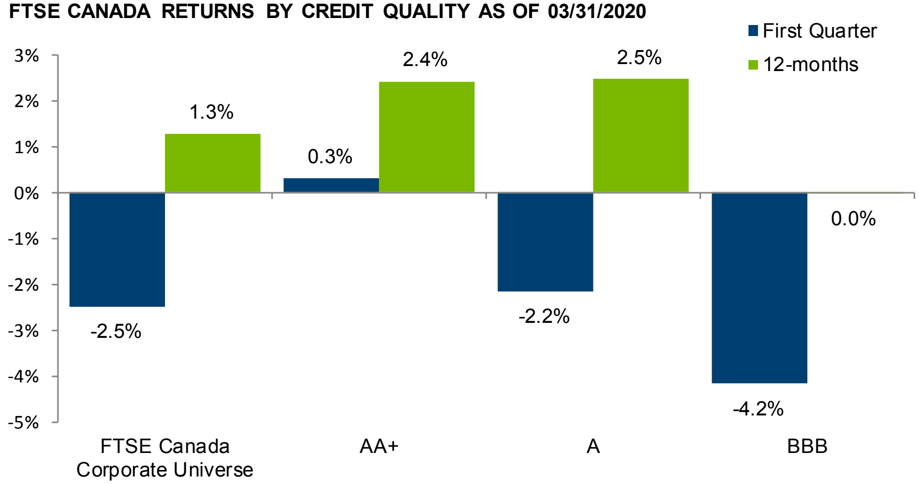
Source: FTSE

FTSE CANADA RETURNS BY MATURITY AS OF 03/31/2020



Source: FTSE

FTSE CANADA RETURNS BY CREDIT QUALITY AS OF 03/31/2020



Source: FTSE

- Canadian bond market performance was generally positive over the quarter. Federal government bonds outperformed both Provincial and Corporate issues.
- In the investment grade corporate market, returns were generally negative across most credit quality grades as credit spreads rose sharply. 'AA' rated bond returns were slightly positive, while lower quality corporates such as 'A' and 'BBB' rated bonds fell over the quarter.
- Medium maturity bonds outperformed both Long and Short maturity bonds over the quarter as yields fell the most at intermediate durations.

Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

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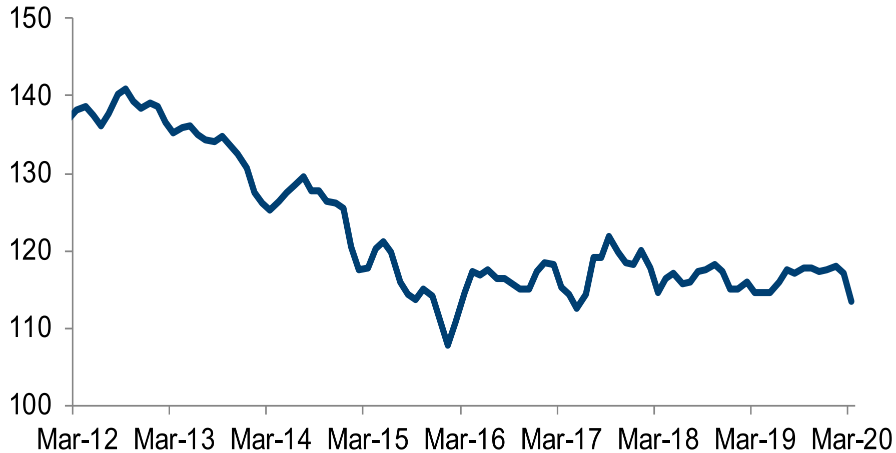
Capital Markets Environment

As of 31 March 2020

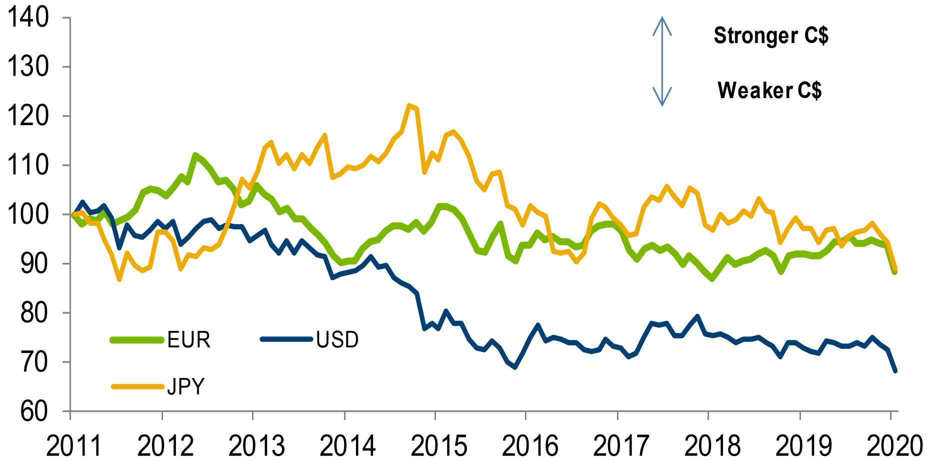
Currency

TRADE WEIGHTED CANADIAN DOLLAR INDEX (1999 = 100)



Source: Bank of Canada

CANADIAN DOLLAR RELATIVE TO EUR, USD AND JPY REBASED TO 100 AT 31/3/2011



Source: Factset

- The Canadian dollar depreciated sharply against major currencies in Q1 2020 amidst a crash in oil prices and “risk off” trade flows. As investor concerns over economic growth and financial market stability grew, investors sought “safe haven” assets, such as the U.S. dollar and the Japanese yen, which caused large falls against these currencies.
- The U.S. dollar generally strengthened against major currencies over the quarter as it rose 7.1% on a trade-weighted basis. The U.S. dollar appreciated against the euro but marginally depreciated against the Japanese yen. The U.S. dollar appreciated by 8.9% against the Canadian dollar over the quarter.
- Alongside a more dovish European Central Bank and a weaker economic outlook, the euro fell against both the U.S. dollar and the Japanese yen, depreciating by 2.2% and 2.9% respectively. However, it rose by 6.8% against CAD.
- The Japanese yen appreciated by 9.5% against the CAD.

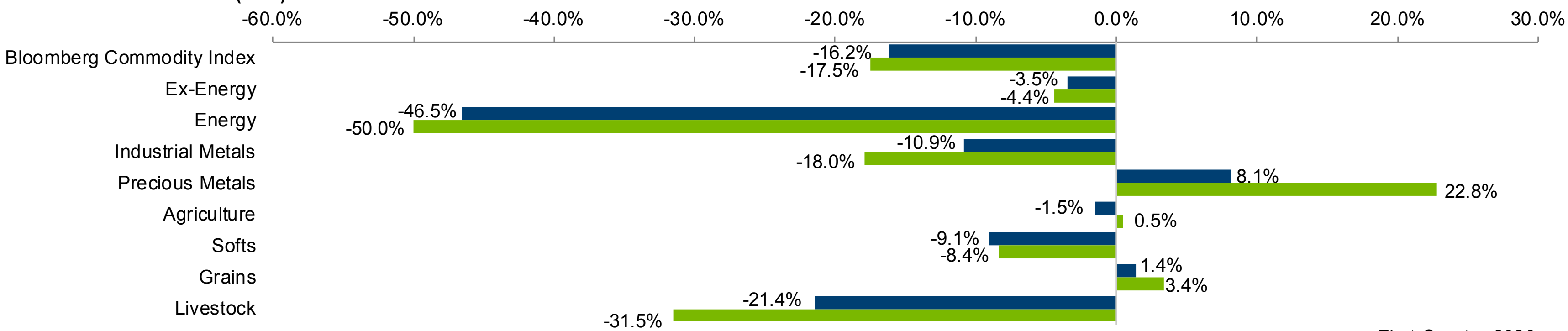
Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

Capital Markets Environment

As of 31 March 2020

Commodities

COMMODITY RETURNS (CAD) AS OF 03/31/2020



Source: Bloomberg
Note: Softs and Grains are part of the wider Agriculture sector

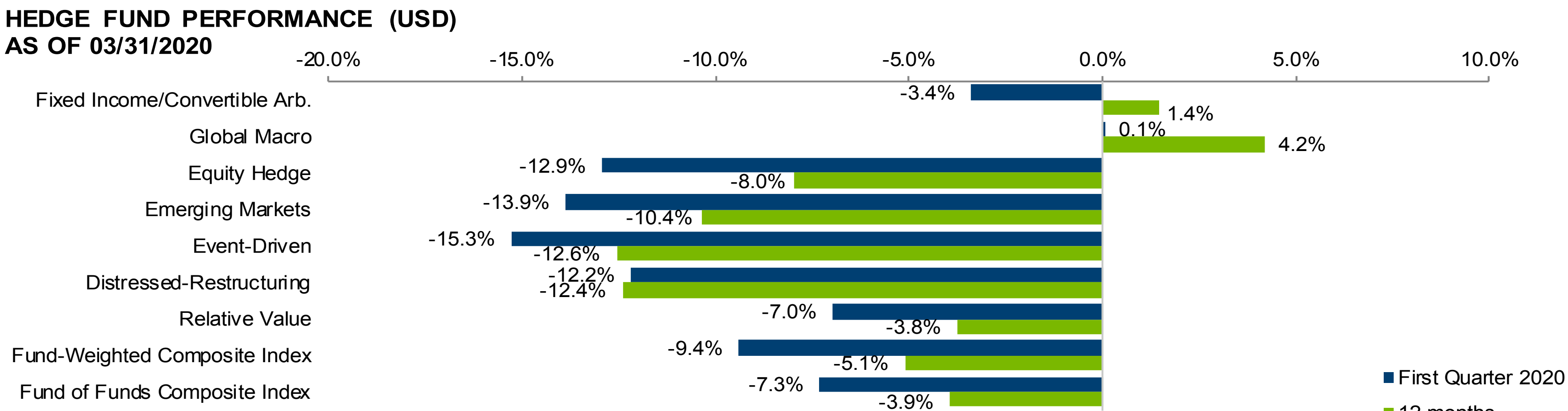
- Amidst the COVID-19 pandemic, commodities fell sharply over the quarter, with the Bloomberg Commodity Index tumbling by 16.2% in CAD terms.
- Energy was the worst performing sector over the quarter with a return of -46.5%. Oil prices crashed as demand for fuel fell due to social distancing measures to reduce the spread of COVID-19 while Saudi Arabia ramped up production after it failed to agree on a plan with Russia to cut oil supply. Brent crude oil prices fell by 65.5% to US$23/bbl, while WTI crude oil spot prices fell by 66.5% to US$20/bbl.
- Precious metals (+8.1%) was the best performing sector in Q1 2020, benefiting from their traditional status as a safe haven asset.

Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

Capital Markets Environment

As of 31 March 2020

Hedge Fund Markets Overview



Note: Latest 5 months of HFR data are estimated by HFR and may change in the future.
Source: HFR

- Hedge fund performances were generally negative over the first quarter.
- Over the quarter, Global Macro was the only strategy to generate a marginal positive return of +0.1%, benefiting from its non-directional nature amidst a broader market downturn. Conversely, Event-Driven and Emerging Markets were the worst performers, returning -15.3% and -13.9% respectively.
- HFRI Fund-Weighted Composite Index and the HFRI Fund of Funds Composite Index produced returns of -9.4% and -7.3% respectively.

Performance data may differ slightly from other performance data provided in the report due to different foreign exchange rate sources.

Appendix E - Description Of Market Indices & Statistics

Index Definitions

As of 31 March 2020

S&P/TSX Composite

S&P/TSX Composite Index comprises approximately 70 percent of market capitalization for Canadian-based, Toronto Stock Exchange listed companies. It is calculated on a float market capitalization and is the broadest Canadian equity index available. The index also serves as the premier benchmark for Canadian pension funds and mutual market funds.

S&P 500

Standard and Poor's 500 Composite Stock Index consists of 500 large companies in the United States chosen for market size, liquidity and industry group representation. It is a market-value weighted index, with each stock's weight in the index proportionate to its market value. For the purposes of this report, the S&P 500 Index returns are converted from U.S. dollars into Canadian dollars, and therefore reflect currency gains or losses.

MSCI EAFE

The MSCI Europe, Australasia and Far East (EAFE) Index is a widely recognized benchmark of non-North American stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 21 European and Pacific Basin Countries and includes reinvestment of all dividends. This index aims to capture 85% of the free float adjusted market capitalization in each industry group in each country.

MSCI World

MSCI World Index consists of more than 1,600 stocks in 23 of the world's largest industrialized countries globally and represents approximately 85% of the total market capitalization in those countries. The index is computed on a float-based capitalization.

FTSE Canada Universe Bond

The FTSE Canada Universe Bond Index covers all marketable Canadian bonds with term to maturity of more than one year. The Index contains approximately one thousand marketable Canadian bonds with an average term of approximately 10.9 years and an average duration of approximately 8.0 years. The purpose of the Index is to reflect the performance of the broad "Canadian Bond Market" in a similar manner to the S&P/TSX Capped Composite Index in the Canadian Equity Market.

FTSE Canada Long Term Overall Bond

The FTSE Canada Long Term Overall Bond Index is a capitalization-weighted index containing bonds with a term to maturity of greater than 10 years. It includes approximately 300 marketable Canadian bonds. The average term is approximately 23.1 years and the average duration is approximately 15.5 years.

FTSE Canada Real Return Bond

The FTSE Canada Real Return Bond Index measures the daily performance of Canadian real return bonds. It currently contains the outstanding real return bonds in the market.

CPI

Consumer Price Index is used to gauge Canada's inflation rate. The series used is the all items, not seasonally adjusted, 2002 base, widely known as the headline inflation.

Statistic Definitions

As of 31 March 2020

Active Return

Arithmetic difference between the portfolio return and the benchmark return over a specified time period.

Active Weight

The difference between the portfolio weight and the benchmark weight, where the weight is based on the beginning of period weights for the sector/region/asset class for a certain periodicity (monthly or quarterly, depending upon the reporting frequency), adjusted by the relative return for the sector/region/asset class.

Annualized Value Added

A portfolio's excess return over a benchmark, annualized as it is recorded.

Asset Allocation

The value added or subtracted by under or over weighting sectors/regions/asset classes versus the benchmark weights. Asset allocation measures the impact on performance attributed only to the sector/region/asset class weighting decisions by the manager. It assumes that the manager holds the same securities in each sector/region/asset class and in the same proportion as in the benchmark. Any differences in return can be attributed to differences in sector weights between the manager's fund and the benchmark.

Batting Average

The frequency, expressed in percentage terms, of the portfolio's return equaling or exceeding the benchmark's return.

Beta

A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of a portfolio's non-diversifiable or systematic risk.

Correlation

Also called coefficient of correlation, it is a measure of the co-movements of two sets of returns. Indicates the degree in which two sets of returns move in tandem.

Cumulative Added Value

The geometrically linked excess return of a portfolio over a benchmark.

Down Market Capture

The portfolio's average return as a percentage of the benchmark return, during periods of negative benchmark return. Lower values indicate better portfolio performance.

Downside Risk

A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. The higher the factor, the riskier the portfolio.

Statistic Definitions

As of 31 March 2020

Duration

A measure of a bond portfolio's sensitivity to movements in interest rates.

EPS

Earnings Per Share

Excess Return

Arithmetic difference between the managers return and the risk-free return over a specified time period.

Excess Risk

A measure of the standard deviation of a portfolio's performance relative to the risk free return.

Information Ratio

Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.

Return

Compounded rate of return for the period.

R-Squared

The percentage of a portfolio's performance explained by the behaviour of the appropriate benchmark. High R-Square means a higher correlation of the portfolio's performance to the appropriate benchmark.

Security Selection

The value added or subtracted by holding securities at weights which differ from those in the benchmark, including securities not in the benchmark or a zero weight. The security selection return assumes the manager weights for each sector/region/asset class in the portfolio are in the same proportion as in the overall benchmark, and excess returns are due to security selection. That is, differences in returns between the manager's fund and the benchmark are attributed to the securities the manager has chosen.

Sharpe Ratio

Represents the excess rate of return over the risk free return divided by the standard deviation of the return. The result is the absolute rate of return per unit of risk. The higher the value, the better the portfolio’s historical risk-adjusted performance.

Simple Alpha

The difference between the portfolio's return and the benchmark's return.

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Statistic Definitions

As of 31 March 2020

Sortino Ratio

Represents the excess return over the risk-free rate divided by the downside deviation (i.e. the standard deviation of negative asset returns). Therefore, the Sortino Ratio differentiates harmful volatility from general volatility. A large Sortino Ratio indicates there is a low probability of a large loss.

Standard Deviation

A statistical measure of the range of a portfolio's performance, the variability of a return around its average return over a specified time period.

Tracking Error

A measure of the standard deviation of a portfolio's performance relative to the performance of an appropriate benchmark.

Treynor Ratio

Similar to Sharpe ratio, but focuses on beta rather than excess risk (standard deviation). Represents the excess rate of return over the risk free rate divided by the beta. The result is the absolute rate of return per unit of risk. The higher the value, the better the portfolio’s historical risk-adjusted performance.

Up Market Capture

The portfolio's average return as a percentage of the benchmark return, during periods of positive benchmark return. Higher values indicate better portfolio performance.

Appendix F - Disclosure

Statement of Disclosure

As of 31 March 2020

Aon Hewitt Inc. reconciles the rates of return with each investment manager quarterly. Aon Hewitt Inc. calculates returns from the custodian/trustee statements while the managers use different data sources. Occasionally discrepancies occur because of differences in computational procedures, security prices, "trade date" versus "settlement date" accounting, etc. We monitor these discrepancies closely and find that they generally do not tend to persist over time. However, if a material discrepancy arises or persists, we will bring the matter to your attention after discussion with your money manager.

This report may contain slight discrepancies due to rounding in some of the calculations. All data presented is in Canadian dollars unless otherwise stated.

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