The City of Toronto – Sinking Funds

LDI Portfolio

July 8, 2020

BENJAMIN LUK, CFA
Vice President, Institutional Markets

CAROLINE GRANDOIT, FSA, CFA, CERA
Vice President and Portfolio Manager, Cross Asset Solutions

MARTIN DIONNE, FCIA, FSA
Assistant Vice President, Liability Driven Investments

Firm Overview

ABOUT US

Publicly-traded, independent Canadian investment management firm

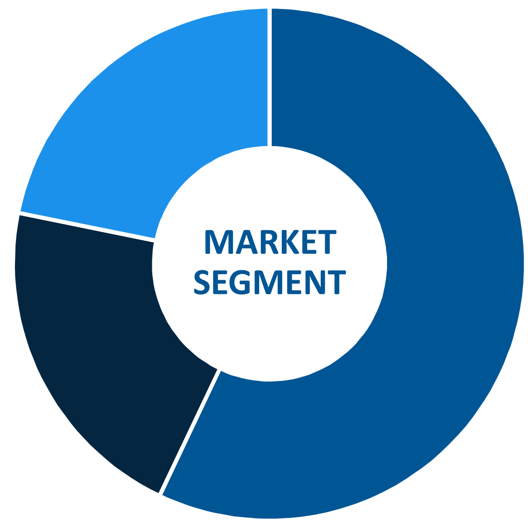
850+ employees including more than 200+ investment professionals

Depth and expertise in traditional and alternative strategies

Headquartered in Montreal with offices across Canada, the United States, Europe and Asia

ASSETS UNDER MANAGEMENT

$158.1B*



Institutional Markets	$90.2B	57%
Retail	$33.4B	21%
Private Wealth	$34.5B	22%
Total	**$158.1B**	**100%**

*As of March 31st, 2020

Fixed Income Solutions Team

Investment Team

CAROLINE GRANDOIT, FSA, CFA, CERA
Vice President and Portfolio Manager, Cross Asset Solutions

3 years with the firm, 14 in the industry

TOMMY OUELLET, FSA, FCIA, CFA, CQF
Vice President and Portfolio Manager, Fixed Income Solutions

5 years with the firm, 11 in the industry

HUGO SARKISIAN, M.Sc.
Vice President and Portfolio Manager

12 years with the firm, 15 in the industry

MARTIN DIONNE, FCIA, FSA
Assistant Vice President

2 years with the firm, 16 in the industry

STEVE GUIGNARD, FSA, ACIA
Lead Analyst

2 years with the firm, 8 in the industry

KATHARINE WELLS, B.Sc
Analyst

2 years with the firm, 4 in the industry

SIMON-PIERRE GADOURY, MQF
Analyst

1 year with the firm, 1 in the industry

INTEGRATED FIXED INCOME TEAM

Actuarial Expertise | Quantitative Finance Expertise | Trading & Execution

Responsible Investing at Fiera

Timeline

2002
Established Proxy Voting Policy prior to the creation of Fiera (previous firms)

2009
Signatory of the United Nations Principles for Responsible Investment (UN PRI)

2013
Member of the Canadian Bond Investors Association (CBIA)

2014
Member of the Canadian Coalition for Good Governance (CCGG)

2016
Subscribed to MSCI ESG Manager & Became a member of RIA

2017
Updated Proxy Voting Policy & Established Global RI Policy

2018
Established Global CSR Committee

2019
New Global Proxy Voting Policy AND Introduced Responsible Investment Spectrum

Fiera Capital's investment process reflects its belief that organizations that successfully manage ESG factors create more resilient businesses/assets and are better positioned to deliver sustainable value over the long term

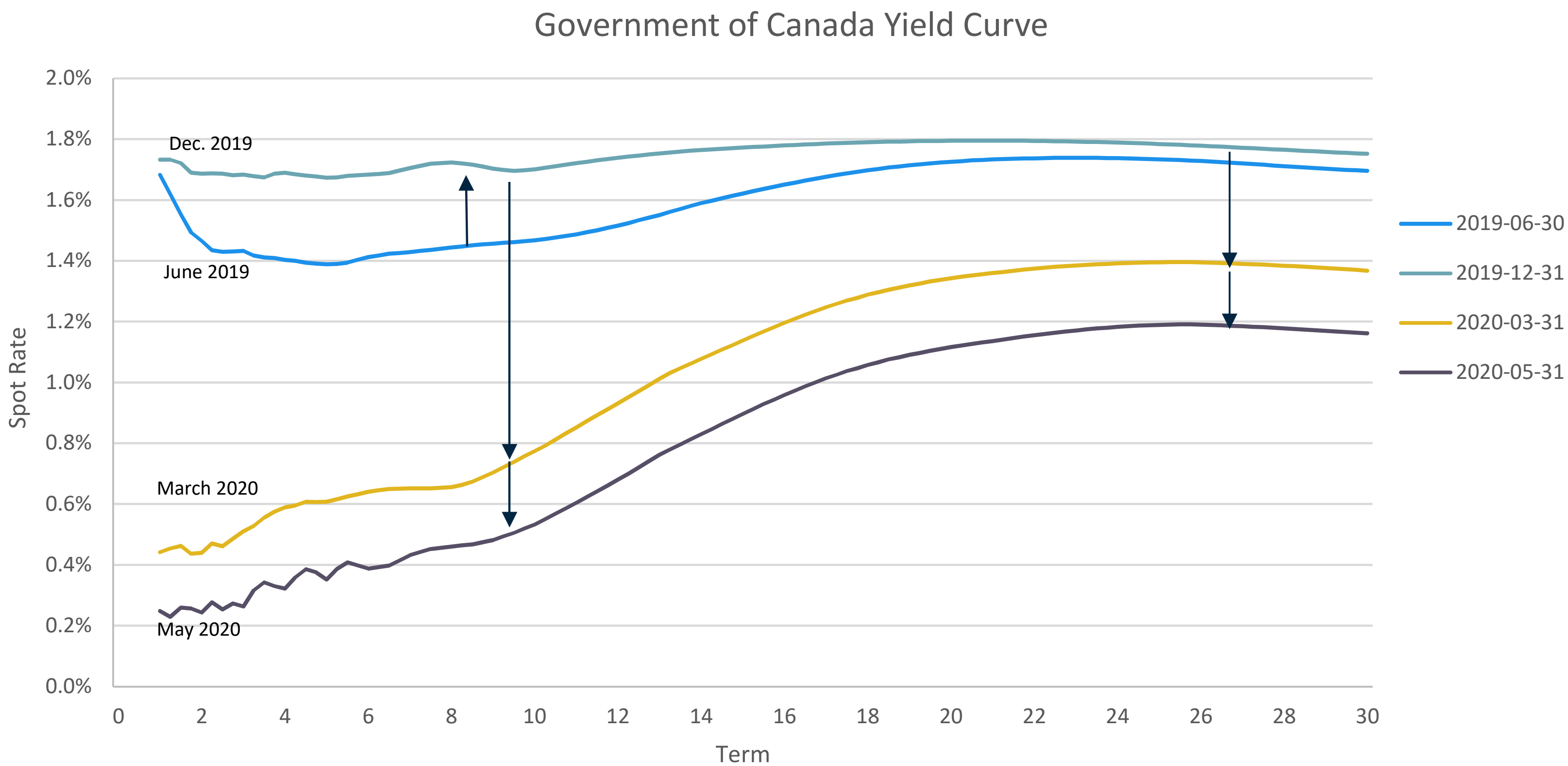
Integration of ESG Factors

Approach - Fixed Income Team

- Our credit review and approval procedures incorporate an assessment of environmental, social and governance (ESG) practices of the issuers in which the team invests
- If an area of concern is identified, the team assesses the potential impact this may have on the financial performance of the issuer
- When the team believes there could be a material impact on the business or financial profile of the issuer it is factored into the assessment of the issuer's securities or the team modifies its judgement on the required returns to compensate for these additional risk factors
- Various sources of information used: company disclosures; discussions with management; news items; and third party information such as MSCI ESG Manager and Bloomberg
- Our Credit Committee review process incorporates a discussion of ESG related concerns for each issuer
  - All credit approvals incorporate these discussions and identified concerns are noted in the formal credit review documentation

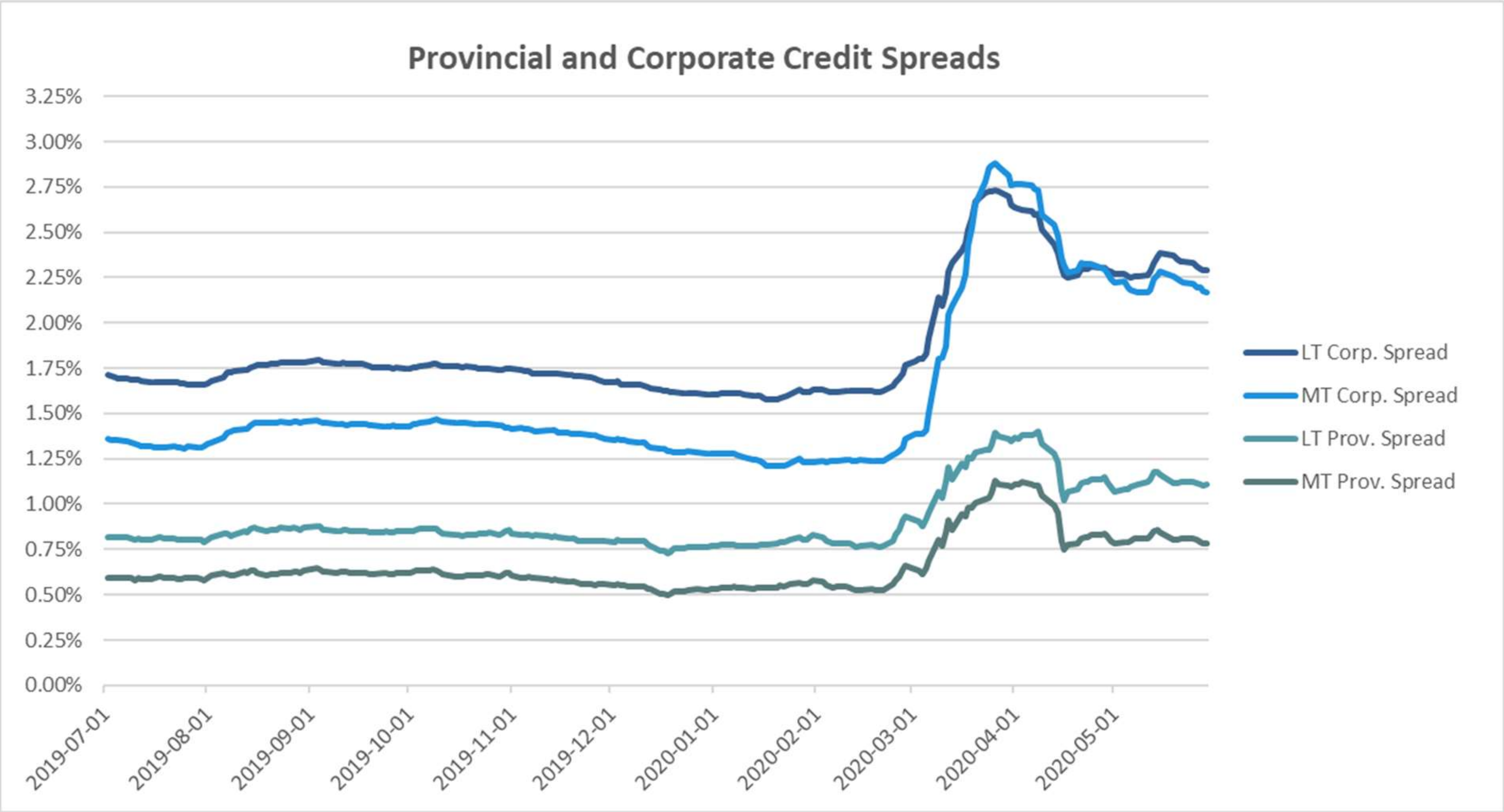
Evolution of Interest Rates

Shape of the Yield Curve



2019 Q3/Q4: Flattening curve
2020 YTD: Sharp decrease - more pronounced in short and mid terms

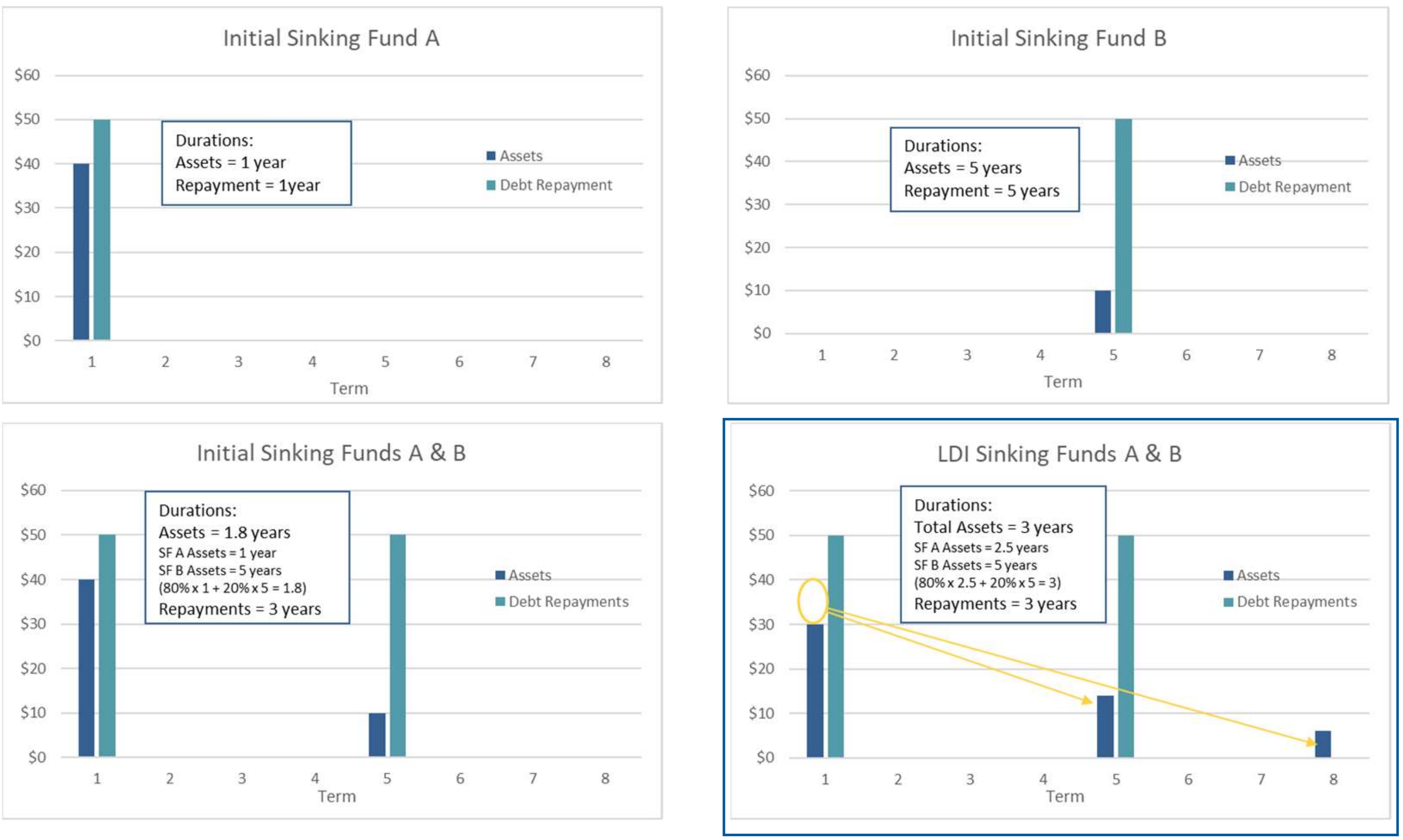
Evolution of Provincial and Corporate Spreads



Source: Fiera Capital and FTSE Canada

LDI Mandate Objectives

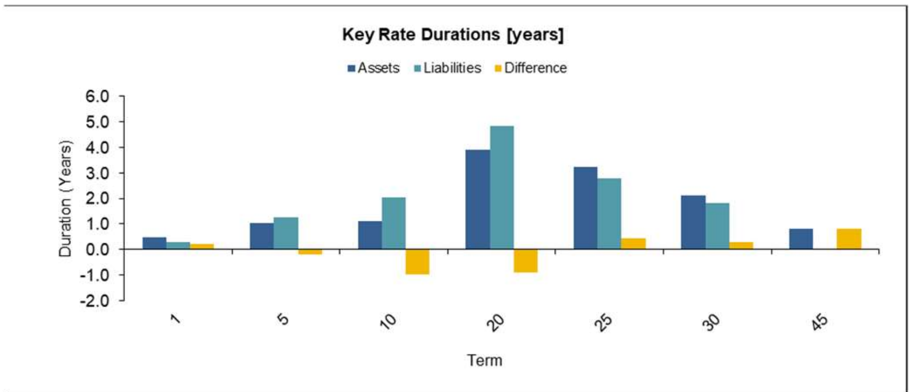
- Main Objectives :
  - Ensure orderly repayment of debt issued by the City of Toronto (5 sinking funds)
  - Match interest rate exposure: Overall duration of the bond portfolios has to match the duration of all future debt repayments
- Simple Illustration :

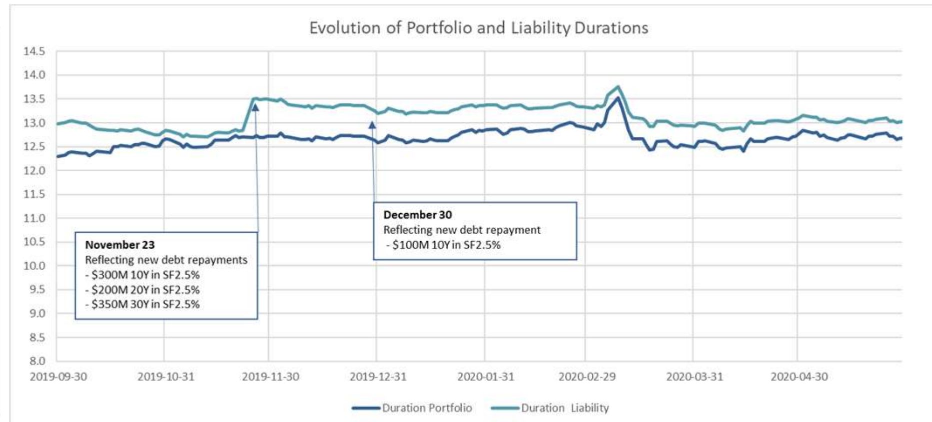


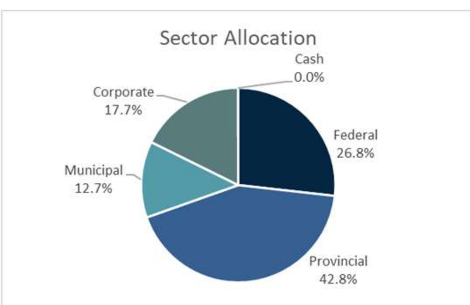
Portfolio as of May 31, 2020

	Market Value	YTM	Duration (years)
Assets	$536.0M	1.78%	12.68 (97.4%)
Liabilities		1.71%	13.02

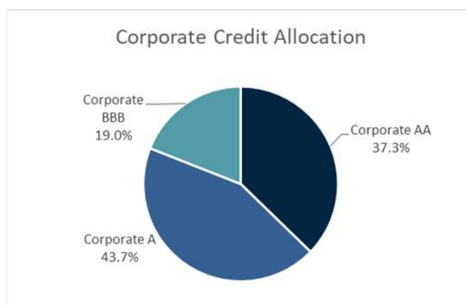
Guidelines – between 90% and 110% of liability duration



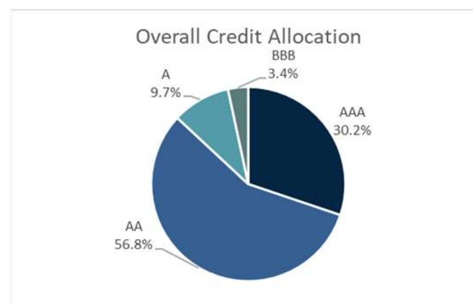




Benchmark
- 43% Federal
- 43% Provincial
- 14% Corporate



Benchmark
- 35% AA
- 45% A
- 20% BBB



Portfolio Performance as of May 31, 2020

	Portfolio	Benchmark	Difference
Q1 2020	2.51%	3.44%	-0.94%
May 2020 YTD	7.47%	8.47%	-1.00%
Since Inception	8.08%	8.52%	-0.45%

Benchmark Return: Future debt repayments discounted using a spot rate curve composed of 43% Federal, 43% Provincial and 14% Corporate Bonds.

Comment: Differences in portfolio vs. benchmark returns are mainly due to the curve positioning, including the underweight at the 10-year key rate duration that is currently needed in order to reach the overall duration while maintaining sufficient liquidity for the upcoming maturity repayments at the sub-account level.

Portfolio management objectives:

- Maintain sufficient liquidity in the sub-accounts
- Gradually align portfolio with key rate durations of future repayments
- Invest in new corporate issues on opportunity
- Build a well diversified portfolio
- Avoid realized losses
- Minimize transaction costs

fieracapital.com

Montreal
FIERA CAPITAL CORPORATION
1981 McGill College Avenue
Suite 1500
Montreal, Quebec H3A 0H5
T 514 954-3300 / 1 800 361-3499

Toronto
FIERA CAPITAL CORPORATION
1 Adelaide Street East
Suite 600
Toronto, Ontario M5C 2V9
T 416 364-3711 / 1 800 994-9002

Calgary
FIERA CAPITAL CORPORATION
607 8th Avenue SW
Suite 300
Calgary, Alberta T2P 0A7
T 403 699-9000

Los Angeles
BEL AIR INVESTMENT ADVISORS
1999 Avenue of the Stars
Suite 3200
Los Angeles, California 90067
T 310 229-1500

New York
FIERA CAPITAL INC.
375 Park Avenue
8th Floor
New York, New York 10152
T 212 300-1600

Boston
FIERA CAPITAL INC.
One Lewis Wharf
3rd Floor
Boston, Massachusetts 02110
T 857 264-4900

Dayton
FIERA CAPITAL INC.
10050 Innovation Drive
Suite 120
Dayton, OH 45342
T 937 847-9100

London
FIERA CAPITAL (UK) LTD
39 St James's Street
London, SW1A 1JD
United Kingdom
T +44 20 7518 2100