IB9.2 Attachment 1

Toronto Investment Board - Discussion Guide

Q2 2020

Prepared by Aon

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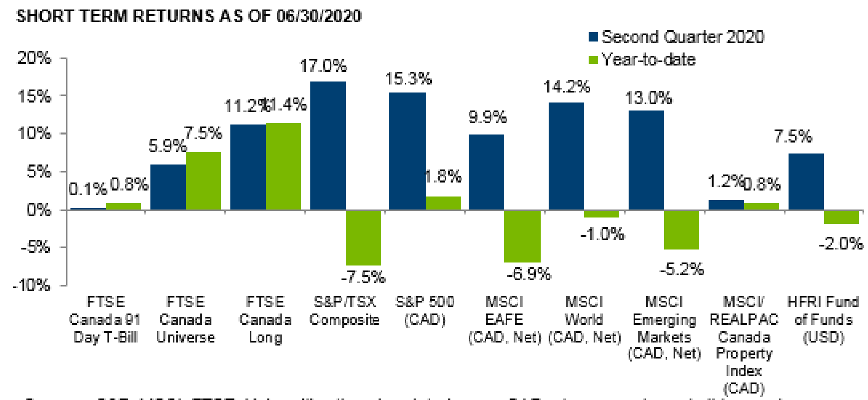
Capital Markets Overview

- Global equities rebounded sharply over the second quarter, recovering the bulk of losses sustained during Q1 2020. Investors appear to be willing to overlook economic data suggesting the worst recession in generations. Data has indicated that the “first wave” of the pandemic may have passed in many developed economies and a quick re-opening of economies has boosted investor optimism. Although there has been a partial reversal of reopening plans in the U.S. due to a new wave of cases in June expanding fiscal and monetary stimulus measures provided extra support for markets.

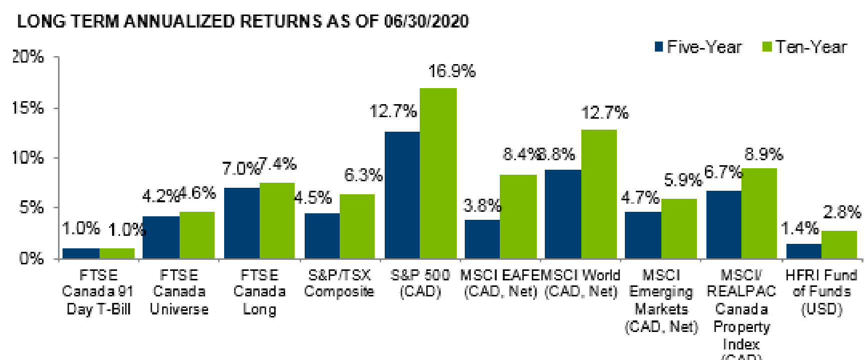
- The U.S. Federal Reserve (Fed) kept target rates at 0.0%-0.25% and introduced new loan facilities worth $2.3 trillion, mostly aimed at small to mid-size businesses and struggling municipalities. In addition, the Fed began buying individual corporate bonds in the secondary market for the first time as part of its $750 billion emergency corporate lending facility. The Fed’s forecast suggests that the U.S. economy will contract by 6.5% this year before rebounding 5.0% in 2021, as Fed officials signaled that interest rates will likely remain near zero until the end of 2022.

- The Bank of Canada (BoC) kept its policy rates unchanged at its effective lower bound of 0.25%. Tiff Macklem replaced Stephen Poloz as the BoC governor and began a seven-year term in June.

- Due to the effect of lockdown measures, the Canadian economy shrank at an annualized rate in Q1 2020 of 8.2%, the worst reading since 2009.



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



Sources: S&P, MSCI, FTSE

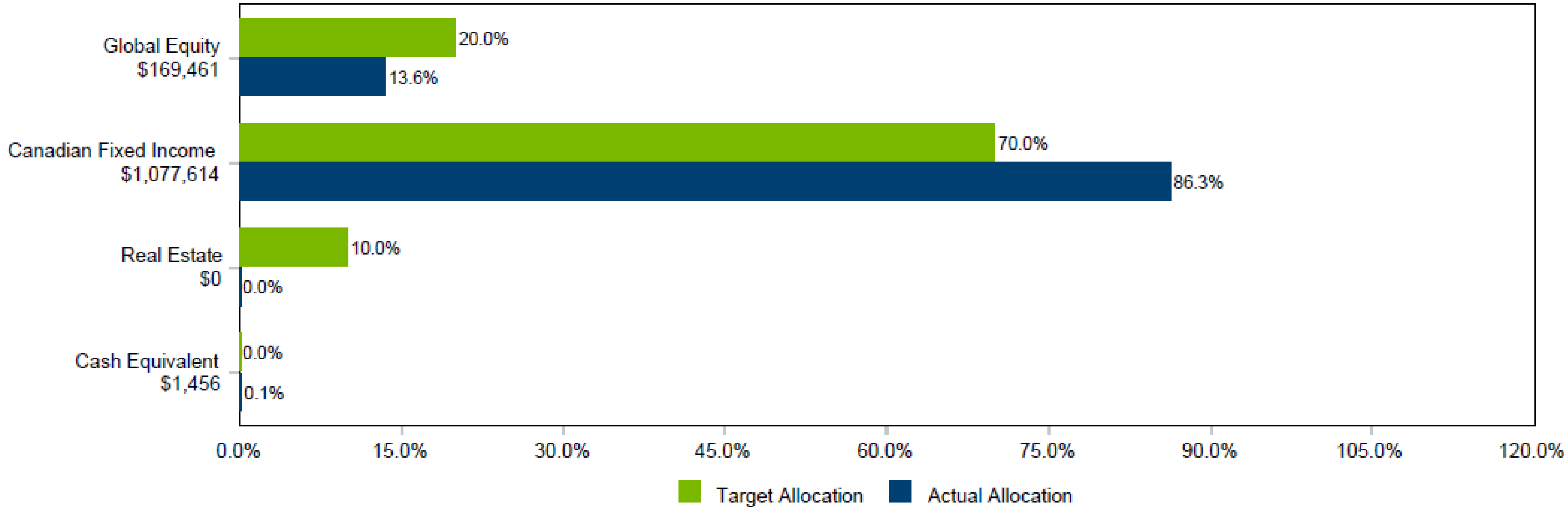
Executive Summary – Sinking Fund and Long Term Fund

	Performance (%)			Market Value ($000s)	Estimated Annual Fee (bps.)	Performance Objective Met	Action Required
	Quarter	1 Year	5 Year				
Sinking Fund Return	9.5	8.2	-				
Benchmark Return	8.3	9.9	-	1,248,531	12.6	N/A	No
Total Fund Value Added	1.2	-1.7	-				
Long Term Fund Return	7.5	6.8	-				
Benchmark Return	7.1	7.6	-	2,544,217	13.4	N/A	No
Value Added	0.4	-0.8	-				

Events
- None.

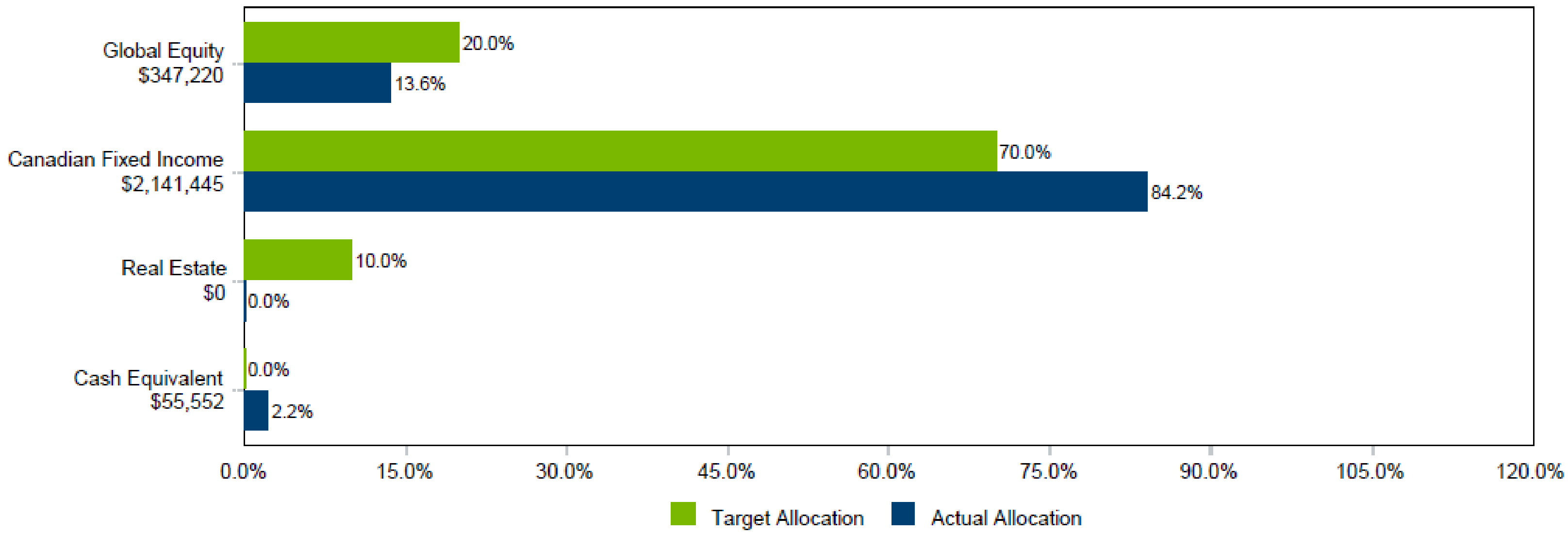
Recommendations
- Consider selecting one or more of the Real Estate strategies outlined in Aon's global Real Estate manager search report for the Real Asset allocation for Sinking Fund and Long Term Fund.

Asset Mix Compliance – Sinking Fund



	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	169,461	13.6	20.0	-6.4	0.0	30.0	Yes
Canadian Fixed Income	1,077,614	86.3	70.0	16.3	50.0	100.0	Yes
Real Estate	-	0.0	10.0	-10.0	0.0	10.0	Yes
Cash Equivalent	1,456	0.1	0.0	0.1	0.0	5.0	Yes
Total Fund	1,248,531	100.0	100.0	0.0			

Asset Mix Compliance – Long Term Fund



	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	347,220	13.6	20.0	-6.4	0.0	30.0	Yes
Canadian Fixed Income	2,141,445	84.2	70.0	14.2	50.0	100.0	Yes
Real Estate	-	0.0	10.0	-10.0	0.0	10.0	Yes
Cash Equivalent	55,552	2.2	0.0	2.2	0.0	5.0	Yes
Total Fund	2,544,217	100.0	100.0	0.0			

Strategy Performance

Strategy	Rating	Value Added (%) Quarter	Value Added (%) SI*	Objective Met	Above Median 5 Year	Action Required
Addenda LDI	**Buy**	3.0	-2.1	N/A	N/A	No
Fiera LDI	**Buy**	0.0	-0.5	N/A	N/A	No
CC&L Core Fixed Income	**Buy**	1.0	0.8	N/A	N/A	No
Leith Wheeler Core Fixed Income	**Buy**	0.6	-0.1	N/A	N/A	No
Pier 21 Global Equity	**Buy**	-0.3	6.2	N/A	N/A	No
Oakmark Global Equity	**Buy**	2.1	-17.8	N/A	N/A	No
Fiera Global Focused Equity	**Buy**	-4.9	-3.0	N/A	N/A	No

*Since Inception Dates:
- Addenda LDI: 7/1/2019
- Fiera LDI: 7/1/2019
- CC&L Core Fixed Income: 7/1/2019
- Leith Wheeler Core Fixed Income: 7/1/2019
- Pier 21 Global Equity: 11/1/2019
- Oakmark Global Equity: 11/1/2019
- Fiera Global Focused Equity: 2/19/2020

Manager Updates

Manager Name	Quarterly Update	ESG Rating
Addenda	No significant updates impacting City of Toronto	3
CC&L	No significant updates impacting City of Toronto	2
Fiera/Oakmark	Fiera announced serval changes to its organizational structure, shifting from geographically focused operating model to a global unified approach. In addition, Fiera also announced evolution of its LDI team to the Fixed Income solutions team, to offer more unique and customized solutions to Fiera's Fixed Income offering.	3
Leith Wheeler	No significant updates impacting City of Toronto	3
Pier 21 (C Worldwide)	No significant updates impacting City of Toronto	2

Aon Happenings

Broadening the Credit Lens to Take Advantage of Attractive Opportunities

- Investors who consider a broad credit spectrum for investment and adopt a flexible approach have the potential to generate attractive returns and drive success. Further details are available in this article.
- Aon launched a closed-end strategy to access the opportunity. It invests in global opportunities in credit markets, taking advantage of price dislocations. Final close is expected at the end of year.
- For further information please contact Galina Kalcheva

Environmental, Social and Governance (ESG) Reporting Dashboard

- Later this year we will be launching a reporting tool that examines ESG integration for your current investment managers.
- For further details please contact your consultant.

Investment Market Update Webinar – Examining Opportunities to Take Advantage of Dislocation

On July 15, 2020, Aon experts examined opportunities to take advantage of market dislocation in the webinar. They discussed current portfolio positioning and actions for investors to consider given market activity.

To access a replay of the webinar along with the presentation slides please click here

COVID-19 Resources

With the global outbreak of COVID-19, we are aware that organizations are struggling to keep pace with the significant impacts to business operations, employee duty of care and financial well-being. Aon has produced the COVID-19 Response Tool Kit which outlines key planning topics and decision points to consider as part of your pandemic preparedness and response efforts. Also, visit the Aon Coronavirus Response Site for additional resources related to COVID-19.

Appendix A: Asset Allocation Views

Medium Term Views

Cross Asset Class Views

---	--	-	=	+	++	+++
		Equities	Cash	Alternatives		
		Core fixed income				
		Credit				

Equity Regions

---	--	-	=	+	++	+++
			USA			
			Canada			
			EAFE			
			Emerging			

Equity Styles

---	--	-	=	+	++	+++
			Value	Low Vol.		
			Growth	Quality		

Alternatives

---	--	-	=	+	++	+++
		Dir. Hedge Funds	Commodities	Non-Dir. Hedge Funds		
			Real Estate	Global Infra.		
				Private Credit		

Return Seeking Fixed Income*

---	--	-	=	+	++	+++
	Bank Loans	USD EMD	Local EMD	Selected ABS		
	US High Yield					

High Grade Fixed Income

---	--	-	=	+	++	+++
		Federal	Corporate			
			Provincial			

Currencies versus CAD

---	--	-	=	+	++	+++
			EUR			
			USD			
			JPY			
			EM			

* Hedged from US dollar vehicle

Appendix B: Thought Leadership

Thought Leadership Papers

During the last quarter, we produced papers on the following topics. Although these topics may not be directly applicable to your fund, they may be of general interest and provide some insight into Aon's global research.

For more details, please contact your Aon Investment Consultant.

- Impact of COVID-19 on ESG & Responsible Investing – While it may seem counterintuitive to focus on forward-looking environmental, social and governance (ESG) and Responsible Investing (RI) factors during a health and economic crisis, the vulnerabilities exposed and exacerbated by the COVID-19 pandemic have been largely non-financial. Savvy investors will increasingly look at non-financial factors such as supply chain management, human capital management, available cash, disaster recovery, insurance coverage, etc. to identify companies and sectors that would be particularly vulnerable to another or a protracted COVID-19 economic downturn. This piece looks at the two schools of thought on how COVID-19 and market volatility may impact RI in general and ESG-integrated investing in particular.

- When Opportunity Knocks Again – It is widely accepted that the asset allocation decision is one of the most important—if not the most important—decisions dictating an investor's success (and risk). The constraints of a formal asset allocation policy should not, however, impede an investors' ability to implement attractive opportunities or innovative ideas as they arise. An Opportunity Allocation may provide investors with a way to be nimble and take advantage of market opportunities. In this paper we look at ideas for incorporating an Opportunity Allocation in a portfolio and include examples of asset classes that may be included in an Opportunity Allocation, such as Opportunistic Credit, Insurance Linked Securities or Private Debt. We also provide guidance on how to structure this kind of allocation, including discussions on challenges, governance and benchmarking.

- AA View – Will Value Stocks Ever Make a Comeback? – Value stocks – those that are considered cheap relative to fundamentals – have lost their lustre over the past decade for several reasons, but value investing as a concept is certainly not dead. In this paper we look at some of the reasons why value has underperformed, including persistently low profits and margins for value stocks, the continued dominance of technology and the lack of mean reversion. We believe there will be a time when value starts to perform well sustainably, but it is not imminent. Ongoing pandemic risks to economic growth and persistently low interest rates are just some of the headwinds.

Appendix C: ESG Ratings

ESG Ratings

ESG Rating	Description
1	The Fund Management Team appears unaware or unconcerned with ESG risks in the investment strategy and has not taken any material steps to address ESG considerations in the portfolio.
2	The Fund Management Team is aware of potential ESG risks in the investment strategy and has taken some steps to identify, evaluate and potentially mitigate these risks.
3	The Fund Management Team demonstrates an above average awareness of potential ESG risks in the investment strategy and has taken essential steps to identify, evaluate and potentially mitigate these risks.
4	The Fund Management Team demonstrates high awareness of all known and potentially financially material ESG risks in the investment strategy and, at present, has incorporated appropriate processes to identify , evaluate and potentially mitigate these risks across the entire portfolio.
N/A (Not Applicable)	An evaluation of ESG risks is not directly applicable to this strategy and therefore an ESG rating has not been assessed.
NR (Not Rated)	An evaluation of ESG risks is not yet available for this strategy

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