IB9.3

REPORT FOR ACTION

Investment Manager Update

Date: September 21, 2020
To: Toronto Investment Board
From: Director, Capital Markets
Wards: All

SUMMARY

This report provides an update on the actions taken with regards to the selection of investment managers since the last meeting of the Toronto Investment Board (the "Board") on July 8, 2020. Negotiations to hire the final global equity manager are near completion.

A recent rebalancing of the Sinking Fund was completed using cash contributions received. The fund was rebalanced in accordance to the Investment Policy and the Investment Plan. Details of the rebalancing are provided in this report.

Provided in Attachment 1 to this report is the Current Funding Status of the Long-Term Fund (LTF) and the Sinking Fund (SF) as at September 15, 2020. This document shows the current asset allocation of the funds.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. The Toronto Investment Board receive this report for information.

FINANCIAL IMPACT

There is no financial impact to the City's operating or capital budgets as a result of this report.

DECISION HISTORY

At its meeting on July 8, 2020, the Toronto Investment Board adopted an updated investment plan, which added a new global equity investment manager, and was provided an update on the actions taken by Capital Markets staff with regard to the selection of investment managers since the Board's last meeting on December 4, 2019.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB7.4

At its meeting on December 4, 2019, the Toronto Investment Board received a report which provided a brief update on the actions taken by staff and the investment consultant (Aon) with regard to the selection of investment managers since the last meeting of the Toronto Investment Board on September 25, 2019. An updated Investment Plan was also presented.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB5.5

At its meeting on September 25, 2019, the Toronto Investment Board received a report which provided a brief update on the actions taken by staff and the investment consultant (Aon) with regard to the selection of investment managers since the last meeting of the Toronto Investment Board on June 12, 2019.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB4.3
At its meeting on June 12, 2019, the Toronto Investment Board received a report which provided a brief update on the actions taken by staff and the investment consultant (Aon) with regard to the selection of investment managers since the last meeting of the Toronto Investment Board on April 11, 2019.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB3.3

At its meeting on April 11, 2019, the Toronto Investment Board received a report which provided a brief update on the actions taken by staff and the investment consultant (Aon) with regard to the selection of investment managers since the last meeting of the Toronto Investment Board on November 13, 2018.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB1.4

At its meeting on June 25, 2018, the Toronto Investment Board received a report and presentation from staff and the investment consultant regarding the selection of investment managers.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.IB6.2

At its meeting held on April 5, 2018, the Toronto Investment Board approved their Investment Plan which included the asset categories and transition plan. The transition plan outlines that the Investment Consultant, in conjunction with City staff, will develop a list of investment managers for the Board's consideration.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.IB4.5

COMMENTS

Global Equity Mandate

Capital Markets and Legal Services staff, along with external legal counsel, continue negotiations with the potential investment manager to fulfill the final global equity investment mandate identified at the last Board meeting on July 8, 2020. To date, three of the four equity mandates have been approved and funded. Progress with the last mandate are near completion with funding expected by the next Board meeting.

Rebalancing of the Long Term Fund and Sinking Fund

The Council-approved Investment Policy outlines general rebalancing procedures for the Long Term Fund (LTF) and Sinking Fund (SF) when fund allocations deviate from the policy asset mix. The Policy states that the fund is monitored frequently for deviations and rebalanced where practicable.

The Investment Plan adopted by the Toronto Investment Board states that the asset mix will be monitored on quarterly and that portfolios will be rebalanced to as close to the target portfolio as is reasonably possible when any one asset class exceeds the minimum or maximum defined range of the target asset mix. Rebalancing the fund periodically ensures that the target asset mix is adhered to and that the long term return objective could be achieved.

Accordingly, cash contributions to the SF had created a build-up of cash and needed to be deployed to rebalance the overall portfolio. Given the amounts in the global equity portion were still in line with their targeted asset mix weight, it was the two fixed income mandates that received transfers of cash to bring them in line with their target. The amounts were distributed to the various SF sub-funds as required. Table 1 provides in the details of these two transactions.

Table 1 - Transactions to Rebalance the Sinking Fund - September 2020

Investment Manager	Trade Date	Settlement Date	Amount
Addenda	September 3	September 8	$166 million
Fiera (LDI)	September 3	September 8	$145 million

The LTF has not received any new contributions to date in 2020. Therefore, there were no transactions required to rebalance this portfolio.

Attachment 1 shows the Current Funding Status of the Long-Term Fund (LTF) and the Sinking Fund (SF) as at September 11, 2020. This document shows the market value pf the current allocation by asset category and also breaks each of these by investment manager in each portfolio. This attachment also includes the available cash for each portfolio.

CONTACT

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SIGNATURE

Randy LeClair
Director, Capital Markets

ATTACHMENTS

Attachment 1 - Current Funding Status of the LTF and the SF as at September 11, 2020

Attachment 1

Current Funding Status of the LTF and the SF as at September 11, 2020

Long Term Fund Asset Mix ($ millions)
as of September 11, 2020

Asset Class / Investment Manager	Investment Mandate	Target Mix	Actual Mix	Allocation ($millions)
Fixed Income (Canadian)		**70%**	**70.1%**	**2,662.9**
Connor, Clark, & Lunn	Active Canadian Fixed Income	35%	34.7%	1,318.9
Leith Wheeler	Active Canadian Fixed Income	35%	35.4%	1,344.0
Equity		**20%**	**9.8%**	**371.0**
Fiera/Oakmark/Harris	Global Equity	3.3%	2.9%	110.6
Pier 21/CWorldWide	Global Equity	3.3%	3.7%	139.6
Fiera Capital CCF	Global Equity	3.3%	3.2%	120.8
Global Equity (Passive)	Global Equity	10%	0	0
Real Assets		**10%**	**0**	**0**
Cash		**0%**	**0.8%**	**29.8**
TIB Short Term Fund* (Internally Managed)		0%	19.4%	735.9
TOTAL		**100%**	**100%**	**3,799.7**

*Funds held in short term investment for future investment in Equity and Real Assets

Sinking Fund Asset Mix ($ millions)
as of September 11, 2020

	Investment Mandate	Target Mix	Actual Mix	Allocation ($millions)
Fixed Income (Canadian)		**70%**	**69.2%**	**1,391.2**
Addenda	Active Canadian Fixed Income	35%	34.7%	697.6
Fiera Capital (Fixed Income)	Active Canadian Fixed Income	35%	34.5%	693.6
Equity		**20%**	**9.0%**	**181.1**
Fiera/Oakmark/Harris	Global Equity	3.3%	2.8%	56.2
Pier 21/CWorldWide	Global Equity	3.3%	3.5%	70.5
Fiera Capital	Global Equity	3.3%	2.7%	54.4
Global Equity (Passive)	Global Equity	10%	0	0
Real Assets		**10%**	**0**	**0**
Cash		**0%**	**0.2%**	**3.5**
TIB Short Term Fund* (Internally Managed)		0%	21.6%	433.6
TOTAL		**100%**	**100%**	**2,009.5**

*Funds held in short term investment for future investment in Equity and Real Assets