IB10.2 Attachment 1

Toronto Investment Board - Discussion Guide

Q3 2020

Prepared by Aon

Empower Results®

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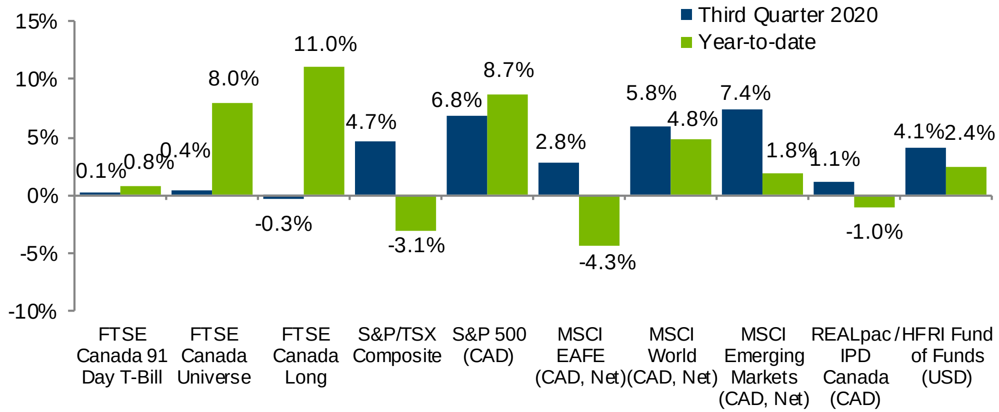
Capital Markets Overview

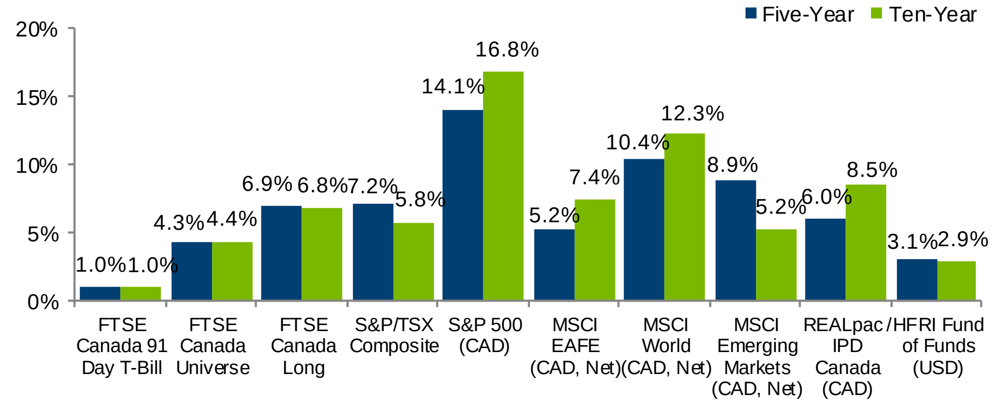
- Global equities continued their rebound over the third quarter as they broke through their pre-pandemic all-time highs in early September. This performance was supported by optimism over progress in COVID-19 vaccine trials and supportive monetary and fiscal policies. However, fears of a second wave coronavirus outbreak and failure to agree further fiscal stimulus in the U.S. reversed some of the equity market's gains.
- The U.S. Federal Reserve (Fed) projected that it would keep interest rates near zero until at least 2023. During the quarter, the Fed also announced a major policy shift by adopting an "average inflation targeting" approach. Under this new approach the Fed will seek an average of 2.0% inflation over time by allowing inflation to run above the target to make up for periods where inflation ran below the target. Since inflation has recently run below the target, a period of higher inflation could be tolerated under the approach without the Fed having to tighten monetary policy.
- European Union leaders struck a deal on a €750bn coronavirus recovery package, which the European Commission will fund by borrowing in the capital markets for the first time. The Eurozone also witnessed a second consecutive month of deflation, putting pressure on the European Central Bank to allow inflation to overshoot its target in the future.
- The Bank of Canada kept its policy rates unchanged at its effective lower bound of 0.25%. The bank said that the economic recovery was slightly better than anticipated, although uncertainty regarding the overall outlook remains.
- Due to widespread lockdown measures, the Canadian economy suffered its worst ever contraction since the first comparable data was recorded in 1961. It shrank at an annualized rate of 38.7% in Q2 2020.

SHORT TERM RETURNS AS OF 09/30/2020



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 09/30/2020



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

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	0.9	7.3	-				
Benchmark Return [1]	1.2	9.5	-	1,569,105	12.0	n/a	No
Total Fund Value Added	-0.3	-2.2	-				
Long Term Fund Return	1.5	7.1	-				
Benchmark Return [1]	1.6	8.1	-	2,716,553 [2]	15.1	n/a	No
Value Added	-0.1	-1.0	-				

Events

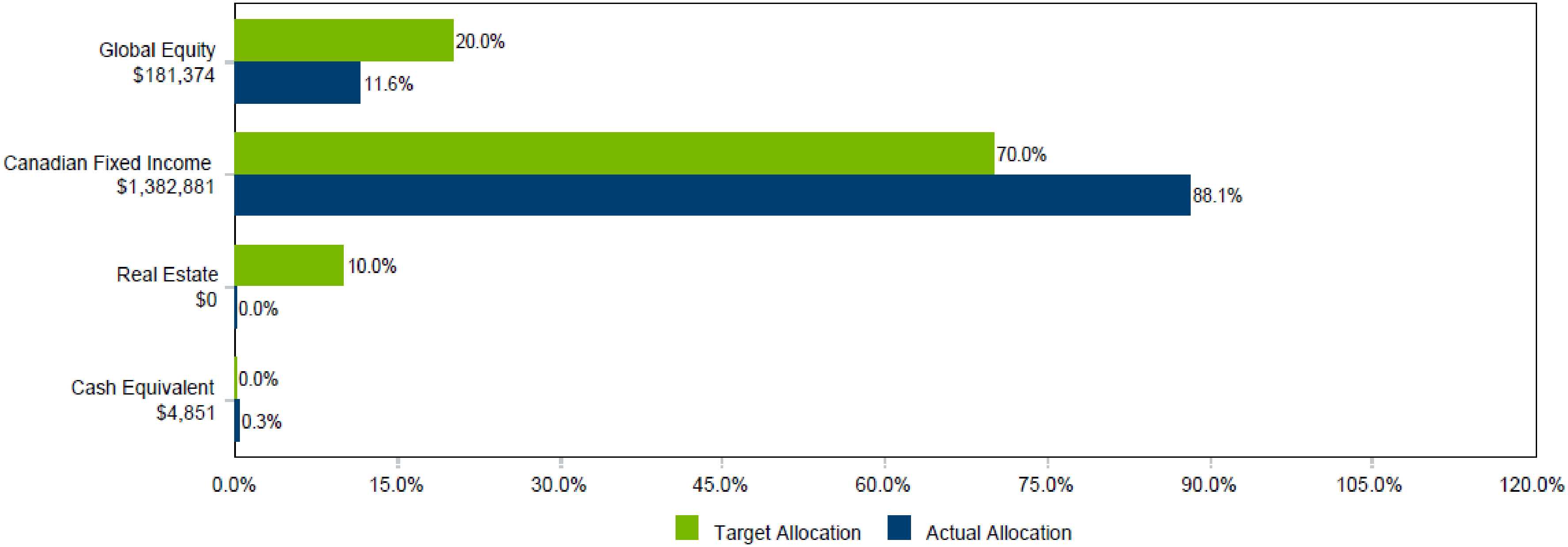
- None.

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.

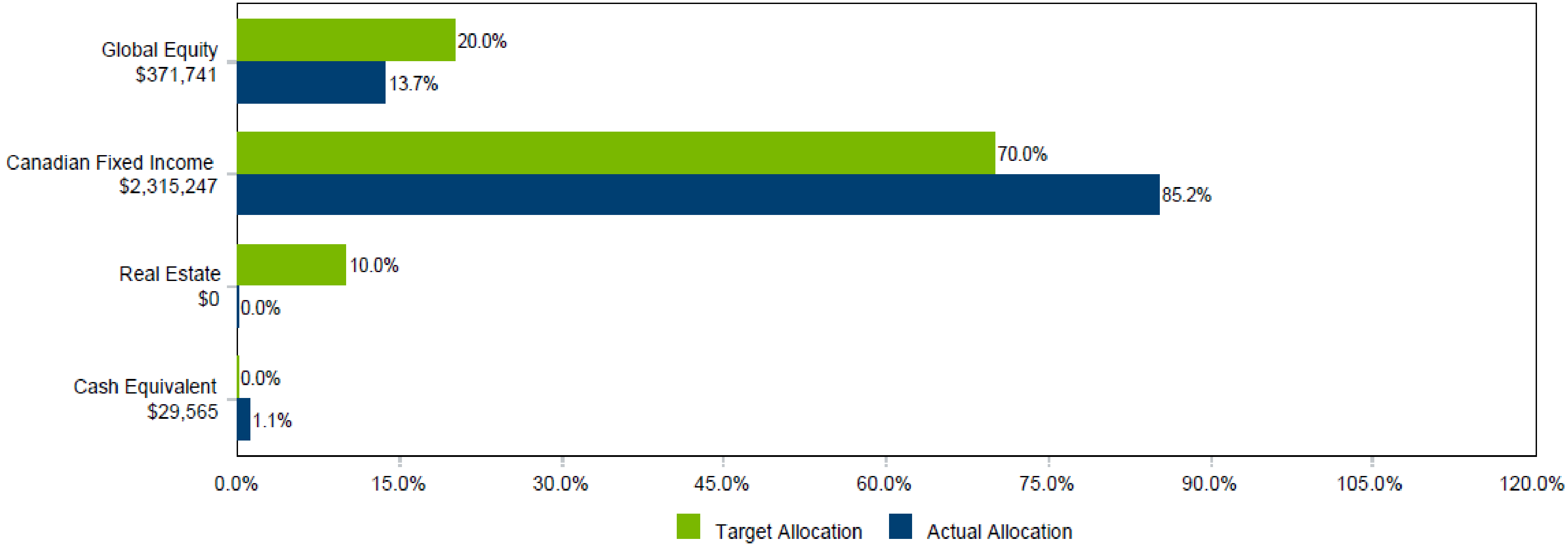
[1]The benchmark return is calculated based on the weighted average return of the target asset mix of respective Sinking and Long Term Fund as specified in the SIPP. The plan is currently transitioning towards the target asset mix and is not fully allocated as per the target asset mix specified in the SIPP.
[2]Market Value of Long Term Fund excludes inactive accounts with Leith Wheeler and CC&L for the fixed income component

Asset Mix Compliance – Sinking Fund



	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	181,374	11.6	20.0	-8.4	0.0	30.0	Yes
Canadian Fixed Income	1,382,881	88.1	70.0	18.1	50.0	100.0	Yes
Real Estate	-	0.0	10.0	-10.0	0.0	10.0	Yes
Cash Equivalent	4,851	0.3	0.0	0.3	0.0	5.0	Yes
Total Fund	1,569,105	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	371,741	13.7	20.0	-6.3	0.0	30.0	Yes
Canadian Fixed Income	2,315,247	85.2	70.0	15.2	50.0	100.0	Yes
Real Estate	-	0.0	10.0	-10.0	0.0	10.0	Yes
Cash Equivalent	29,565	1.1	0.0	1.1	0.0	5.0	Yes
Total Fund	2,716,553	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**	0.3	-1.7	n/a	n/a	No
Fiera LDI	**Buy**	0.0	-0.5	n/a	n/a	No
CC&L Core Fixed Income	**Buy**	0.2	0.8	n/a	n/a	No
Leith Wheeler Core Fixed Income	**Buy**	0.2	0.2	n/a	n/a	No
Pier 21 Global Equity	**Buy**	1.7	8.3	n/a	n/a	No
Oakmark Global Equity	**Buy**	-0.6	-19.5	n/a	n/a	No
Fiera Global Focused Equity	**Buy**	1.9	-1.4	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 organizational changes in October 2020 which will be communicated to all Fiera clients. The communication discusses creation of Fiera Capital Canada LP (Fiera LP), a wholly owned subsidiary of Fiera Capital Corporation (FCC) for its Canadian asset management services. On or about 31 December 2020, FCC will transfer all of its Canadian asset management activities, including FCC's current rights and obligations under each client's investment management agreement with FCC. Therefore each client's investment management agreement will be assigned to Fiera LP. Aon views this as largely procedural change with no impact on investment management or servicing.	3
Oakmark		2
Leith Wheeler	No significant updates impacting City of Toronto	3
Pier 21 (C Worldwide)	No significant updates impacting City of Toronto	2

Aon Happenings

Getting More From Fixed Income

- Aon recently launched a return seeking fixed income fund to take advantage of global fixed income opportunities. It offers easy access through a Canadian vehicle to several global fixed income strategies.
- The fund targets cash + 2.5% net of investment manager fees.
- For further information please contact Erwan Pirou.

Reviewing Your Investment Strategy

The world has changed, and so has the investment landscape. Is your strategy adapted to the new realities of today?

- The COVID-19 global outbreak has had a paradigm shift in the way societies and governments operate in the foreseeable future. Low levels of interest rates, tremendous government debt, accelerated shift in online consumption, impact on retail and office real estate sectors, equity markets volatility, all of these are many such examples: the ramifications run deep and rewrote the narrative behind several asset classes.
- In many cases, the investment strategy established prior to the pandemic warrants a review to appropriately reflect current investment outlooks.
- For further information on how we can assist you, please contact your consultant.

Now Available: Environmental, Social and Governance (ESG) Reporting Dashboard

- Aon launched an electronic reporting tool that examines ESG integration for your current investment managers.
- For an online demo and further details please contact your consultant.

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				

We remain cautious on risk assets

We still favor uncorrelated sources of returns from a risk-mitigation view, but the real-estate opportunity has diminished

Coronavirus risks persist but better relative valuations mean upgrade to EM and a downgrade to the US

Equity Regions

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

Better virus containment and growth story is supportive for EM Asia

Equity Styles

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

We now have a preference for value vs growth. Low vol. moves to neutral too

Alternatives

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

Non-correlated alternatives generally preferred

We prefer better quality in credit but managers will find good opportunities in this arena

Return Seeking Fixed Income*

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

High Grade Fixed Income

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

Corporate and Provincial view downgraded and are now neutral with Federal. Prefer the Universe index

Currencies versus CAD

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

Safe haven flows expected to keep the USD supported in the near-term

* 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.

- Investing in a Volatile World – Investors have had to manage risk, returns, and liquidity during many volatile times, including the oil crisis in the 1970s, the "tech wreck" of the early 2000s, the 9/11 terrorist attacks, the global financial crisis and now the COVID-19 pandemic. Through it all, many institutional investors have risen to the challenge and planned for the turbulent times we find ourselves in today. While the past helps us prepare, institutional investors are facing a rapidly evolving market environment. As they look out over the next several years, they must reassess their portfolios and governance structures. This paper provides a five-tier framework for institutional investors to respond to volatility consistently and thoughtfully in ways that should help improve returns and oversight while reducing risks and costs.

- To Deliver ESG Progress, Go Beyond the Ratings – Corporate boards and executives, institutional asset managers and investors are all increasingly focused on environment, social and governance (ESG) issues. A host of factors are driving this attention, including:
  - The outperformance of ESG-themed investment funds in 2020
  - Increased asset flows: As per Morningstar data, US$54.6 billion in the second quarter of 2020, which more than doubled 2019's record US$20.6 billion haul
  - Shareholder activity: There were more than 400-ESG themed shareholder resolutions filed during the 2020 proxy season

  As interest in ESG has grown, so have efforts to measure it, with more than a dozen third-party entities offering ESG ratings. This article looks at some of the challenges of ESG ratings and discusses why they should become just one input of many in an investor's ESG strategy.

- An Emerging Equity Opportunity: China A-Shares – China has opened its local (A-shares) stock market to foreign investors, which means investors will get increased exposure to China over the coming years as both indices and investment managers increase their exposure to Chinese A-share equities. China may not be the most obvious of investments now given COVID-19, US-China trade wars, and various other macroeconomic and market risks, however we believe that investors with an "Opportunity Allocation" may benefit from a specialist mandate for Chinese A-shares. This piece offers a strategic perspective on Chinese A-Shares, and while we recognize the risks inherent in investments in China, the longer-term investment thesis holds in today's environment.

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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