The City of Toronto

Sinking Funds – LDI Portfolio

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Firm Overview

ABOUT US

Publicly-traded, independent Canadian investment management firm

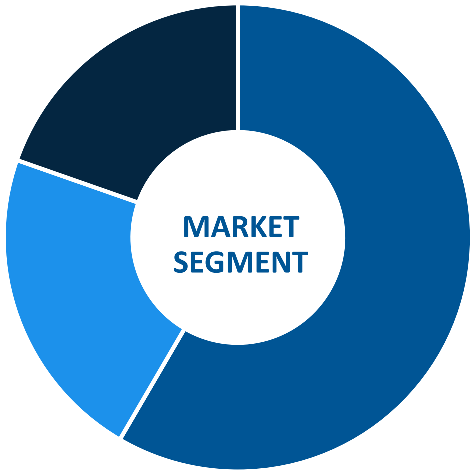
800+ employees including more than 200+ investment professionals

Depth and expertise in traditional and alternative strategies

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

ASSETS UNDER MANAGEMENT

$177.7B*



Institutional Markets	$103.8B	58 %
Retail	$39.0B	22 %
Private Wealth	$34.9B	20 %
Total	**$177.7B**	**100 %**

*As of September 30, 2020

FIERA CAPITAL

Responsible Investing at Fiera

Timeline

2002	2009	2013	2014	2016	2017	2018	2019
Established Proxy Voting Policy prior to the creation of Fiera (previous firms)	*Signatory of the United Nations Principles for Responsible Investment (UN PRI)*	*Member of the Canadian Bond Investors Association (CBIA)*	*Member of the Canadian Coalition for Good Governance (CCGG)*	*Subscribed to MSCI ESG Manager & Became a member of RIA*	*Updated Proxy Voting Policy & Established Global RI Policy*	*Established Global CSR Committee*	***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

Fixed Income Solutions Team

Investment Team

CAROLINE GRANDOIT, FSA, CFA, CERA
Global Head of Total Portfolio Solutions

4 years with the firm, 15 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

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

Market Update

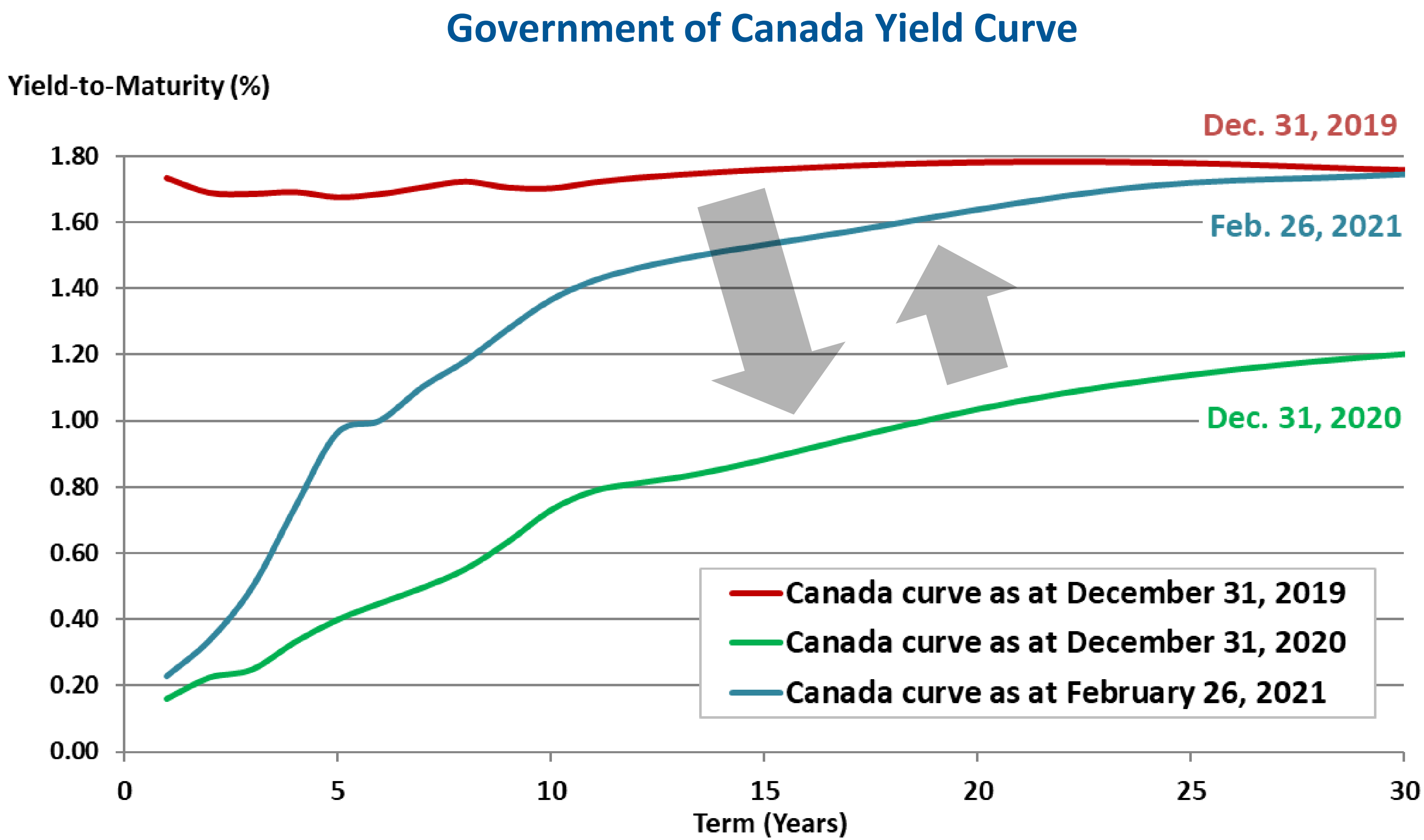
Canada Long Term Rates (10-Year and +)

December 2016 to February 2021

Government of Canada Long Term Rates

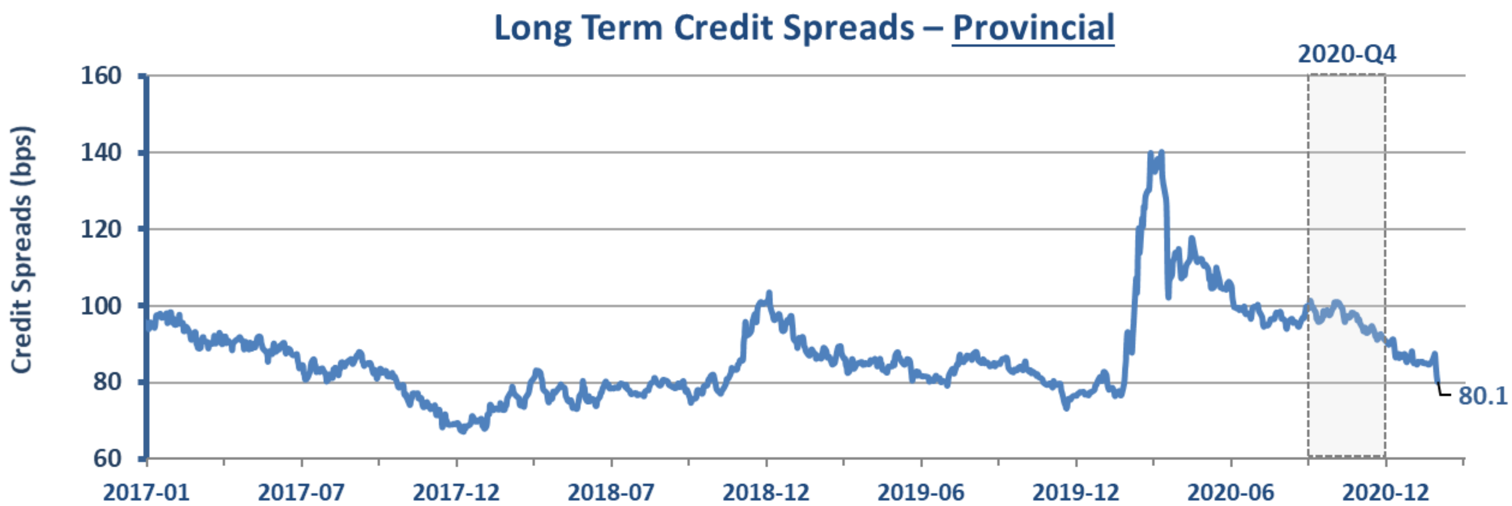
Source(s): FTSE Canada and Fiera Capital as at February 26, 2021.

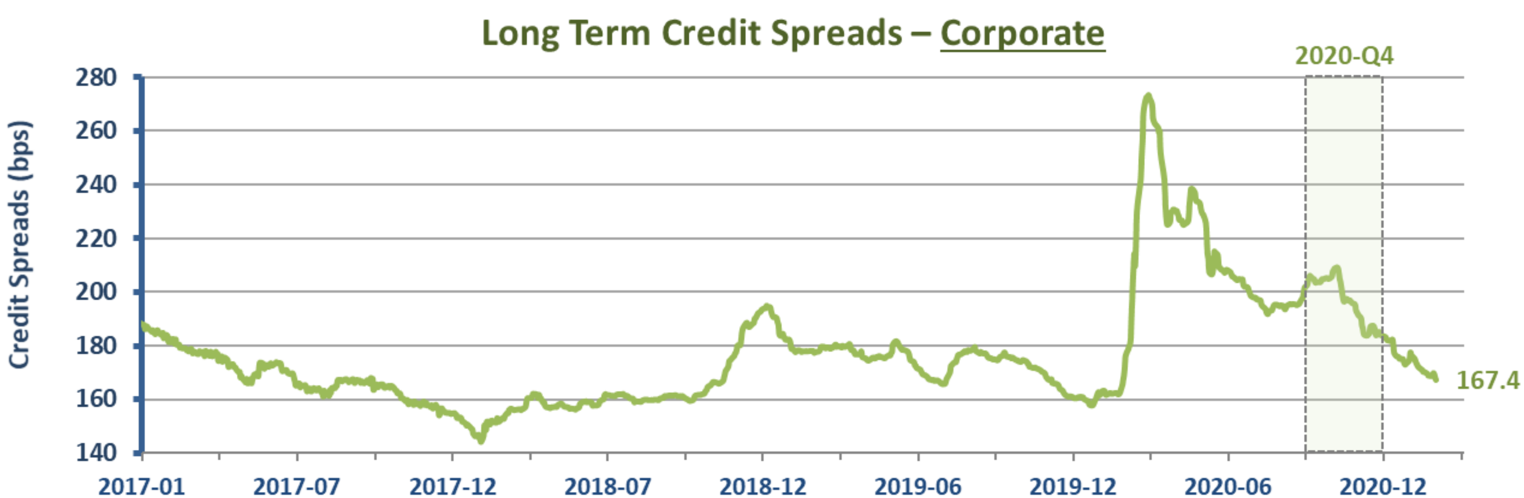
Government of Canada Yield Curve



Source(s): FTSE Canada and Fiera Capital as at February 26, 2021.

Provincial and Corporate Credit Spreads





Source(s): FTSE Canada and Fiera Capital as at February 26, 2021.

Strategy and Performance Overview

The City of Toronto – LDI Mandate Objectives

Main objectives:

- Ensure orderly repayment of debt issued by the City of Toronto (5 sinking funds)
- Manage and monitor the aggregate interest rate exposure:
  - The overall duration of the portfolios must match the duration of all future debt repayments

Portfolio management sub-objectives:

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

The City of Toronto – Integration of ESG Factors

- **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 and the team can modify its judgement on the required returns to compensate for these additional risk factors

- **Various sources of information used:**
  - Company disclosures and news items
  - Discussions with management
  - Third party information (MSCI ESG Manager, Bloomberg, etc.)

- **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 prepared by the analysts and approved by the portfolio managers

The City of Toronto – Portfolio Performance

As of February 26, 2021

	Total Portfolio	Benchmark	Value Added
2021 YTD	(6.06%)	(6.79%)	+0.73%
Last 12 Months	(1.70%)	(2.37%)	+0.67%
Since Inception	2.49%	2.17%	+0.32%

Note: the Benchmark returns correspond to the future debt repayments discounted using a spot rate curve composed of 43% Federal, 43% Provincial and 14% Corporate Bonds.

Detailed Performance Attribution – Since Inception

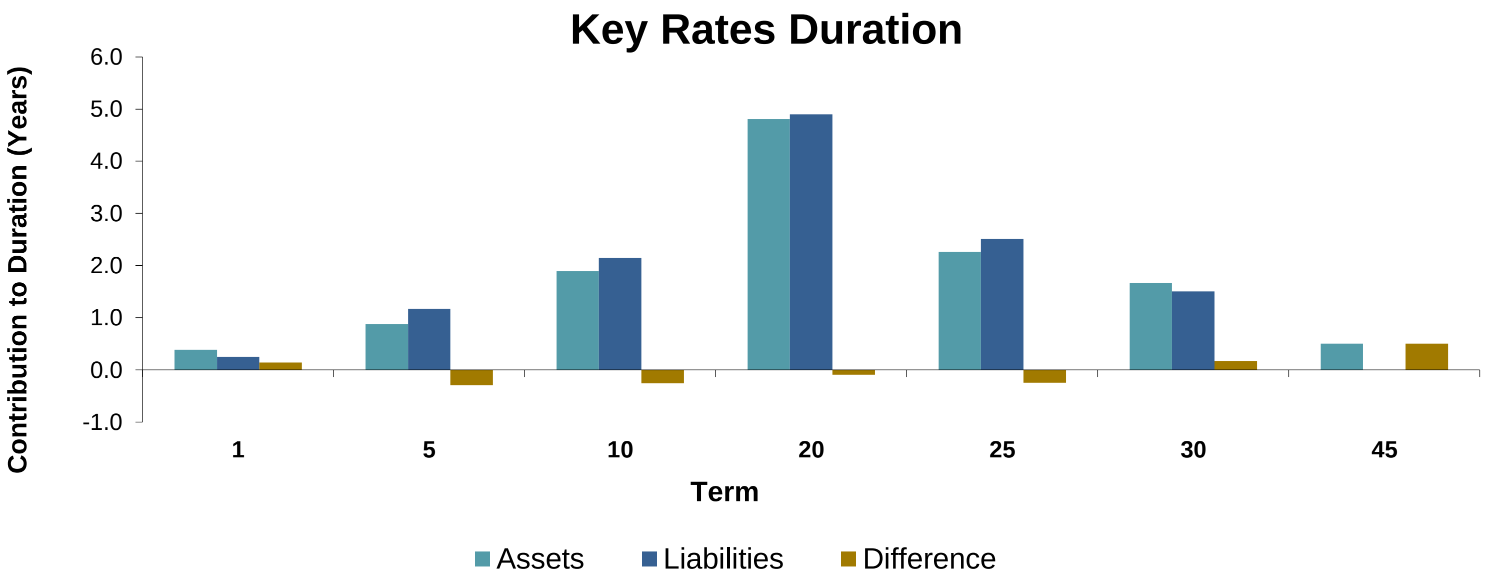
	Total Portfolio	Benchmark	Difference
Carry	1.93%	1.89%	**+0.04%**
Curve Exposure	0.40%	0.11%	**+0.29%**
Provincial Credit Spread	0.05%	0.24%	**–0.19%**
Corporate Credit Spread	0.15%	-0.06%	**+0.21%**
Residual	-0.04%	-0.01%	**–0.03%**
Total	**2.49%**	**2.17%**	**+0.32%**

The City of Toronto – Portfolio Yield & Duration Metrics

As of February 26, 2021

	Market Value	Yield-to-Maturity	Duration (Years)
Assets	$694.8M	2.18%	12.40
Liabilities		2.18%	12.47

Guidelines: between 90% and 110% of liability duration (currently 99.4%)

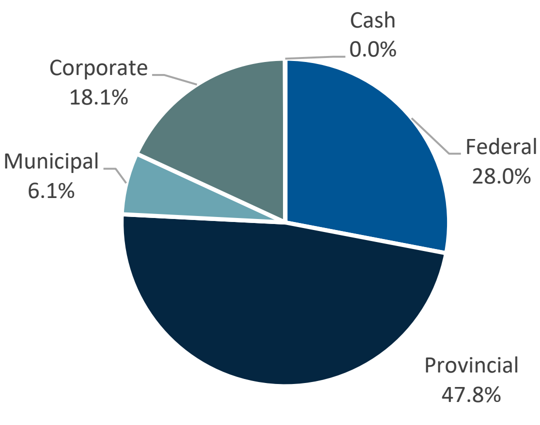


The City of Toronto – Portfolio Characteristics

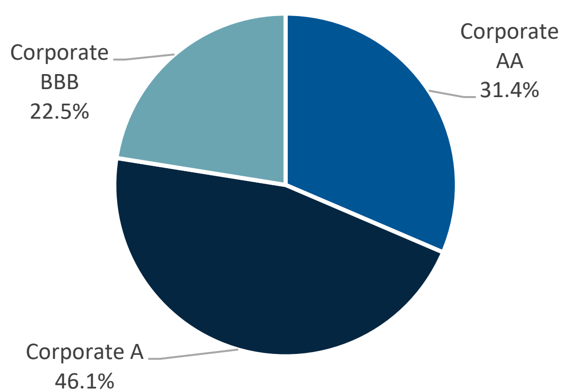
As of February 26, 2021

Portfolio Characteristics

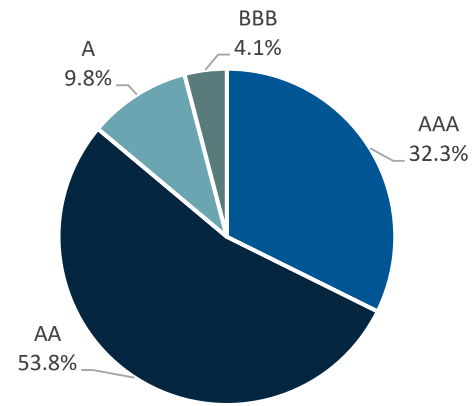
Sector Allocation



Corporate Credit Allocation



Overall Credit Allocation



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

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

The City of Toronto – Projected Outflows for 2021

Two significant outflows for debt maturities are expected for 2021

- **Debt Maturity of $150M on July 26, 2021**
  - 73M expected outflow from 5% Sinking Fund managed by Fiera Capital
  - Cash will be available on July 12, 2021 (2 weeks prior to maturity)
  - Sub-account to be closed following this last repayment

- **Debt Maturity of $500M on December 6, 2021**
  - 175M expected outflow from 3.5% Sinking Fund managed by Fiera Capital
  - Cash will be available on November 22, 2021 (2 weeks prior to maturity)

In both cases, the Sinking Funds LDI assets are well-positioned for these upcoming outflows and further adjustments will be made over the upcoming months to ensure that the necessary liquidity is available at the agreed upon payment dates

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