



March 28, 2022

## The City of Toronto – Sinking Funds LDI Portfolio

**BARBARA SHEEHAN, MBA**

Vice President, Institutional Markets

**MAXIME CARRIER, CFA, FCIA, FSA, CAIA**

Senior Portfolio Manager, Fixed Income Solutions

# Firm Overview

## ABOUT US

Publicly-traded, independent Canadian investment management firm

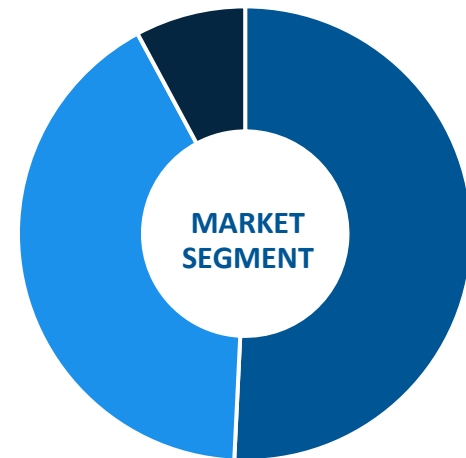
800+ employees including more than 200+ investment professionals

Depth and expertise in traditional and alternative strategies

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

## ASSETS UNDER MANAGEMENT

**\$188.3B\***



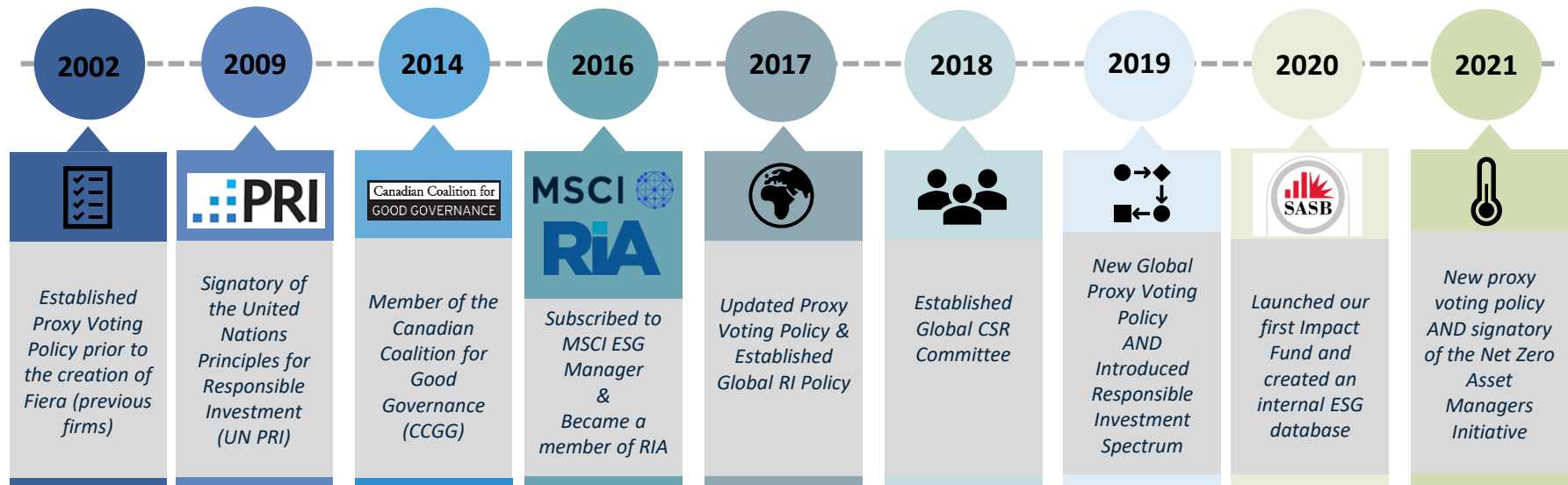
|                          |                 |             |
|--------------------------|-----------------|-------------|
| Institutional Markets    | \$95.6B         | 51%         |
| Financial Intermediaries | \$77.9B         | 41%         |
| Private Wealth           | \$14.8B         | 8%          |
| <b>Total*</b>            | <b>\$188.3B</b> | <b>100%</b> |

Total may not reconcile due to rounding.

\*Assets under management as of December 31, 2021. Includes \$1.6B of committed and undeployed capital in Fiera Private Alternative Investments

# Responsible Investing at Fiera

## Timeline



*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*



**MAXIME CARRIER**, FCIA, FSA, CFA, CAIA  
Senior Portfolio Manager

*<1 year with the firm, 17 in the industry*



**HUGO SARKISIAN**, M.Sc.  
Portfolio Manager

*13 years with the firm, 16 in the industry*



**MARTIN DIONNE**, FCIA, FSA  
Vice President

*3 years with the firm, 17 in the industry*



**KATHARINE WELLS**, B.Sc.  
Senior Analyst

*3 years with the firm, 5 in the industry*



**OMID AFSHARI NIKO**, FSA, CFA, CAIA.  
Senior Analyst

*<1 year with the firm, 8 in the industry*



**SIMON-PIERRE GADOURY**, MQF.  
Analyst

*2 years with the firm, 2 in the industry*



## INTEGRATED FIXED INCOME TEAM

Actuarial Expertise

Quantitative Finance Expertise

Trading & Execution

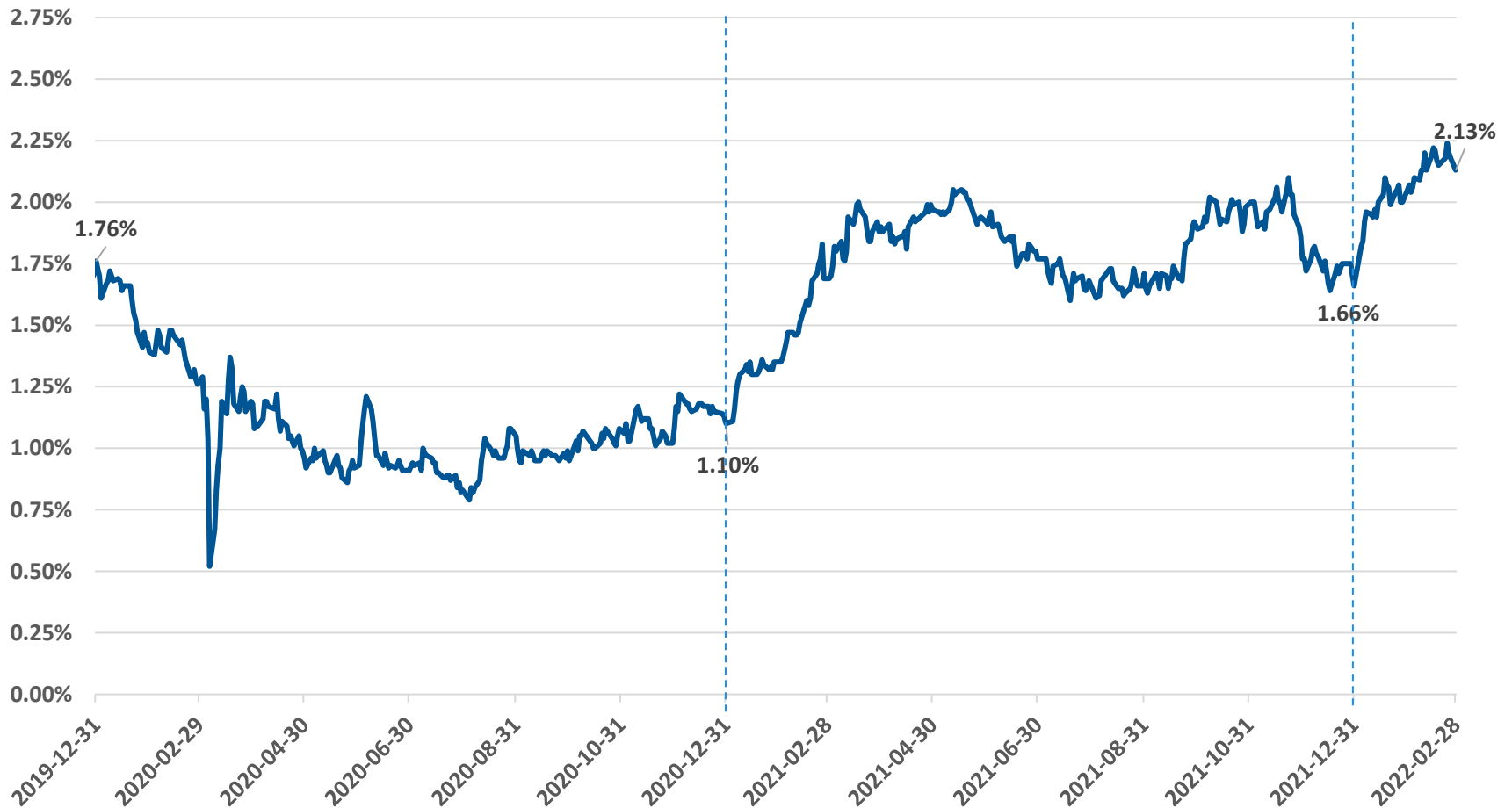


# Market Update

# Canada Long Term Rates (10-Year and +)

December 2019 to February 2022

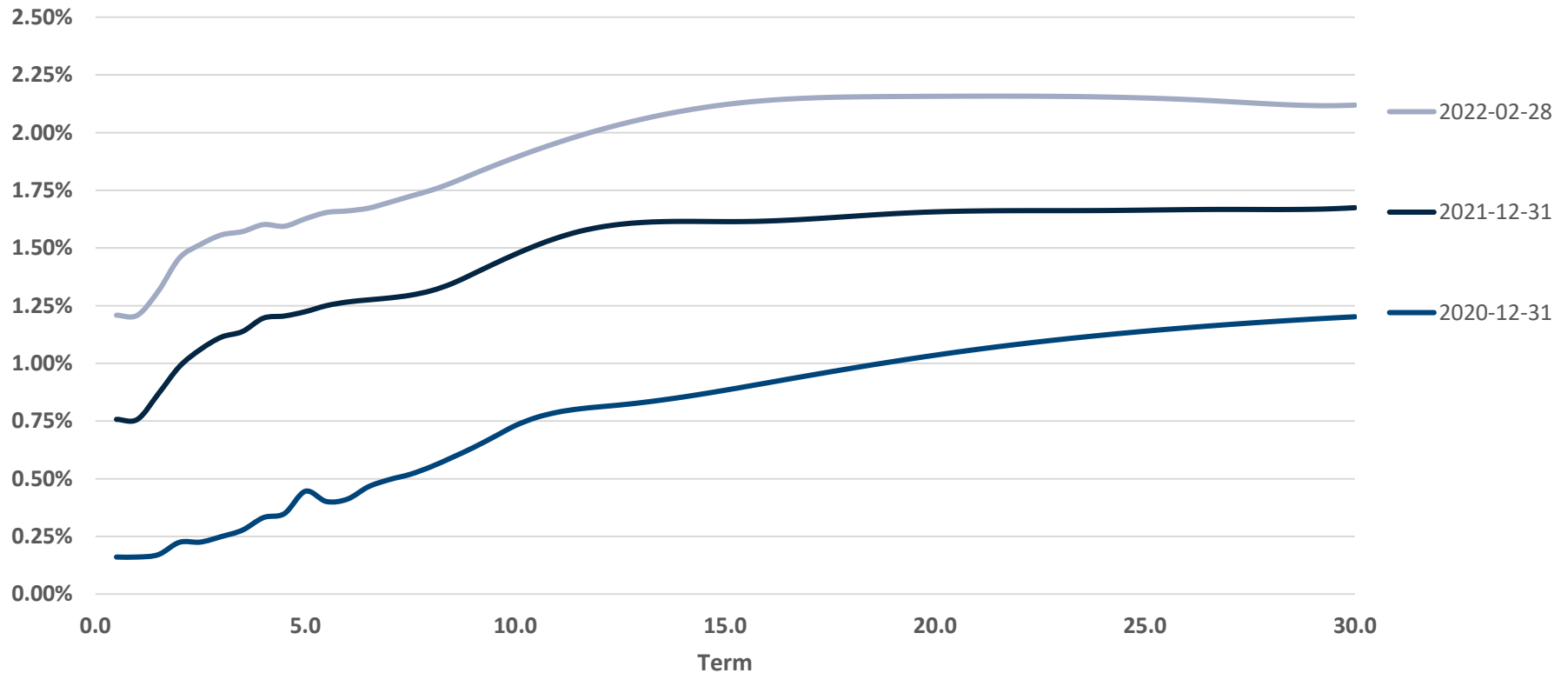
Government of Canada Long Term Bond Yields (10+ Years)



Source(s): FTSE Canada and Fiera Capital as at February 28, 2022.

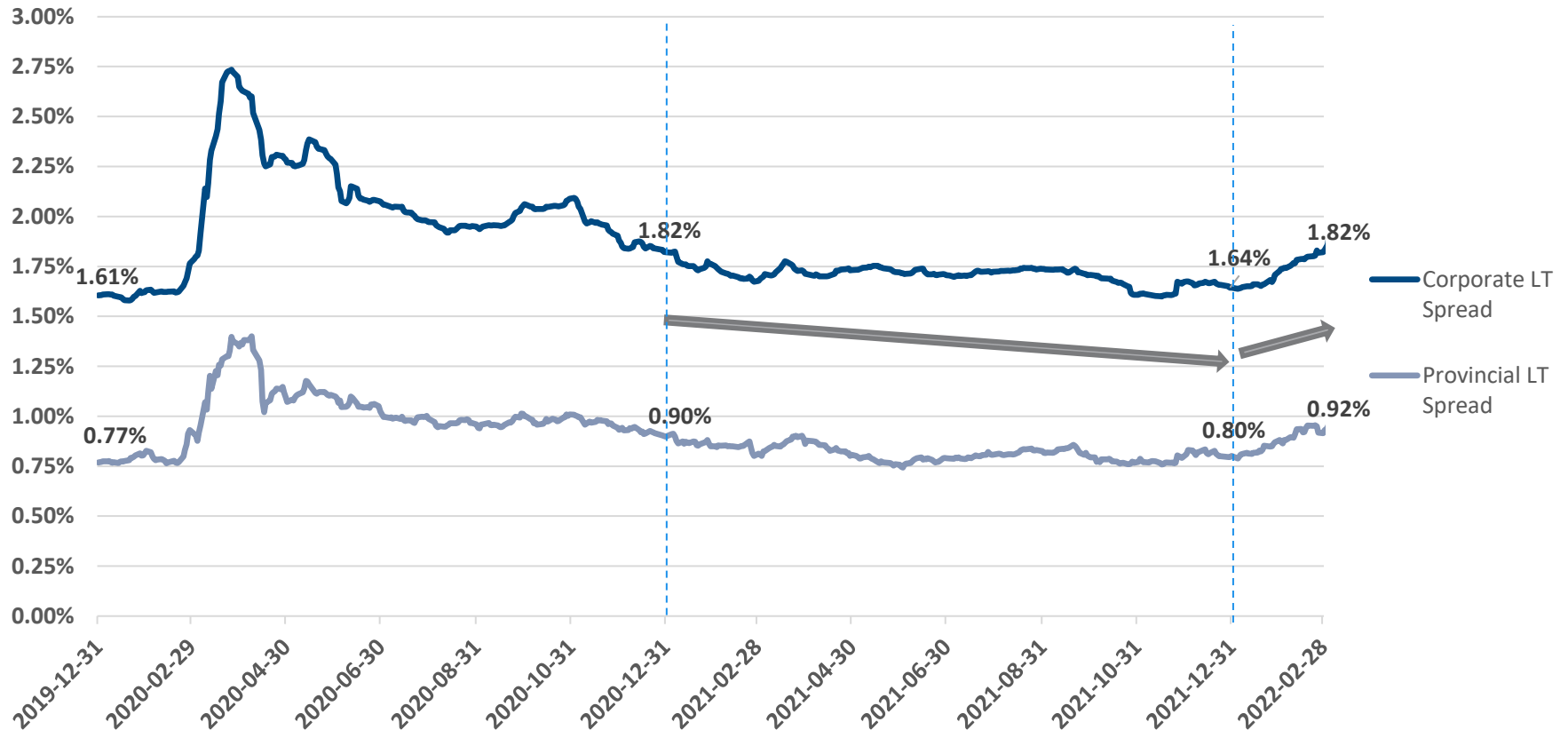
# Government of Canada Yield Curve

Government of Canada Nominal Yield Curve



# Provincial and Corporate Credit Spreads

## Long Term Credit Spreads



Source(s): FTSE Canada and Fiera Capital as at February 28, 2022.





# Strategy and Performance Overview

# The City of Toronto – LDI Mandate Objectives

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## ► Main objectives:

- Ensure orderly repayment of debt issued by the City of Toronto (4 sinking funds (SF))
  - There were two principal payments sourced from the portfolio in 2021:
    - \$79M in July from SF5%
    - \$170M in November from SF3.5%
- 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
- 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

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- ▶ **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 judgment 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 28, 2022

|                 | Total Portfolio | Benchmark | Value Added |
|-----------------|-----------------|-----------|-------------|
| 2022 YTD        | -6.97%          | -6.88%    | -0.09%      |
| 2021 Calendar   | -3.78%          | -4.12%    | +0.34%      |
| Since Inception | -0.27%          | -0.28%    | +0.01%      |

*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                    | +2.10%          | +2.07%        | +0.03%        |
| Curve Exposure           | -2.02%          | -1.98%        | -0.04%        |
| Provincial Credit Spread | -0.20%          | -0.26%        | +0.06%        |
| Corporate Credit Spread  | -0.10%          | -0.10%        | 0.00%         |
| Residual                 | -0.05%          | -0.01%        | -0.04%        |
| <b>Total</b>             | <b>-0.27%</b>   | <b>-0.28%</b> | <b>+0.01%</b> |

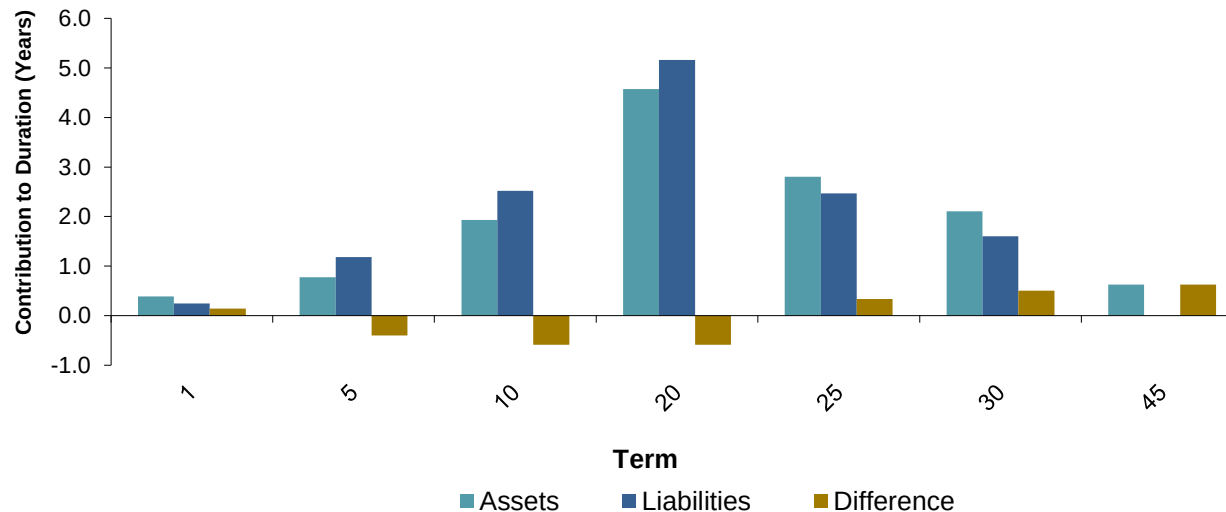
# The City of Toronto – Portfolio Yield & Duration Metrics

◆ As of February 28, 2022

|             | Market Value | Yield-to-Maturity | Duration (Years) |
|-------------|--------------|-------------------|------------------|
| Assets      | \$546.5M     | 2.76%             | 13.21            |
| Liabilities |              | 2.72%             | 13.18            |

Guidelines:  
between 90%  
and 110% of  
liability duration  
(currently 100.2%)

Key Rate Durations [years]

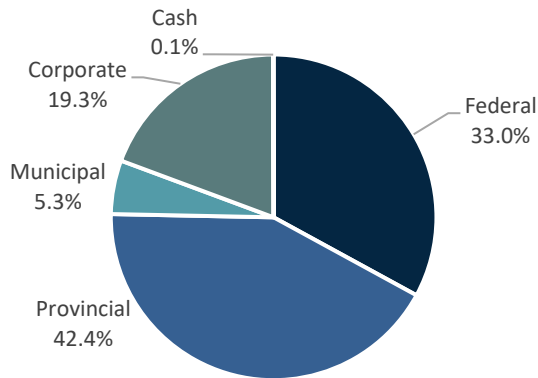


# The City of Toronto – Portfolio Characteristics

▶ As of February 28, 2022

## Portfolio Characteristics

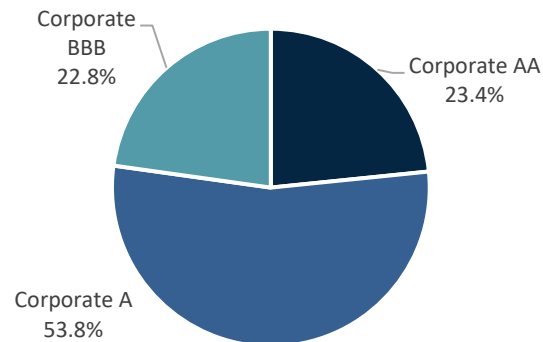
**Sector Allocation**



**Benchmark**

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

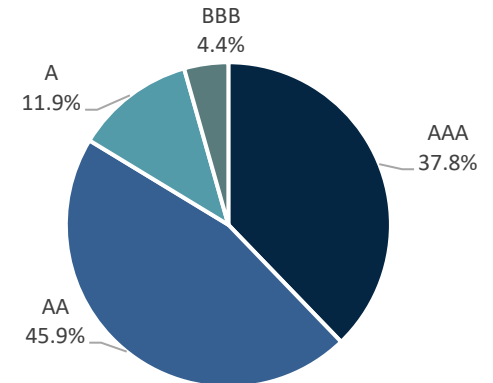
**Corporate Credit Allocation**



**Benchmark**

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

**Overall Credit Allocation**





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