TORONTO

REPORT FOR ACTION

Investment Manager and Other Updates

Date: August 29, 2022
To: Toronto Investment Board
From: Director, Capital Markets
Wards: All

SUMMARY

This report provides the Toronto Investment Board ("Board") with an update regarding activities involving the investment managers and related parties. It includes changes to the investment manager mandates, contracts, and funding along with other related items.

Amended agreements for the Fiera Capital Common Contractual Fund were completed, signed, and delivered as outlined at the previous Board meeting.

There were recent staff changes at the Oakmark and Pier 21 equity funds. These changes are summarized in this report along with Flash Reports from the investment consultant (Aon) in Attachments 1 and 2.

The process to hire an Environmental, Social, and Governance (ESG) data service provider is progressing. Legal agreements and other documentation for the service are currently in review.

An update of the current funding status of Long-Term Fund ("LTF") and Sinking Fund ("SF") is provided in Attachment 3 to this report for the Board's review. Moreover, $281 million of Sinking Fund contributions were transferred to the fixed income investment managers to re-balance the portfolio.

The City's auditors (KPMG LLP) found no exceptions to note from the Investment Policy compliance audit procedures conducted for the year ended December 31, 2021.

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 June 23, 2022, the Toronto Investment Board authorized the Chair or the Vice Chair of the Investment Board, to execute amended agreements for the Fiera Capital Common Contractual Fund on behalf of the Investment Board.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.IB16.3

At its meeting on December 13, 2021, the Toronto Investment Board awarded contracts for investment management services. The Board also authorized the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, to negotiate agreements with the firms selected as investment managers, on terms satisfactory to City Solicitor and the Chief Financial Officer and Treasurer, and authorized the Chair or the Vice Chair of the Investment Board to execute such agreements on behalf of the Investment Board.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB14.4

At its meeting on September 9, 2021, the Toronto Investment Board authorized the Director, Capital Markets, to initiate a non-competitive procurement to retain the recommended third-party information provider to provide metrics in the area of assessing Environmental, Social, and Governance performance which would facilitate a response to the City Council request to the Toronto Investment Board and the Chief Financial Officer and Treasurer to develop a process to monitor and report on whether or not external investment firms hired by the City are compliant with the terms of the Investment Policy with respect to Environmental, Social, and Governance factors.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB13.5

At its meeting on March 9, 2021, Toronto Investment Board adopted a report that updated the Investment Plan to update the performance benchmark for two investment managers. With regards to the Board's Investment Custodian, it was agreed that a competitive review of the investment custodian will be started at the end of 2021.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB11.3

At its meetings on October 7, 2020, the Toronto Investment Board authorized the Director, Capital Markets to initiate a Request for Proposal (RFP) for a third-party information provider that could provide metrics in the area of assessing Environmental, Social, and Governance (ESG) performance.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB9.5

At its meetings on June 29 and June 30, 2020, City Council approved the amendments to the City Council-approved Investment Policy related to ESG. City Council also

requested the Toronto Investment Board and the Chief Financial Officer and Treasurer to develop an ESG process, to incorporate ESG factors into its investment decision making, and to consider and incorporate internationally-recognized best practices for ESG when considering any changes to the Investment Policy.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX14.2

COMMENTS

Fiera Capital Common Contractual Fund ("CCF Fund") Amended Agreements

The amended agreements for CCF Fund have been completed, signed, and delivered after the external legal and tax review were completed. It is not anticipated there will be any issues with the amended agreement. The change will be effective on October 1, 2022 rather than the original date of August 1, 2022.

Staff changes at the Oakmark and Pier 21 Equity Funds

Oakmark / Harris Global Equity Fund:
The fund's co-portfolio manager Clyde McGregor will be stepping down from the strategy at the end of 2023. Tony Coniaris, a current member of the Global All Cap strategy portfolio management team, will assume McGregor's portfolio management responsibilities. Colin Hudson and John Sitarz will join the existing team as co-portfolio managers of the strategy, effective August 1, 2022. Further information can be found in the investment consultant's Flash Report (Attachment 1) of this report.

- Colin Hudson has been a co-portfolio manager of the Oakmark Equity and Income Fund since 2013, the Oakmark Bond Fund since 2020, a partner of the firm since 2011 and has served on the institutional Global and Global Concentrated Strategy teams since 2012. He is also the co-head of fixed income, an equity investment analyst at Harris Associates and a vice president of the Oakmark Funds. He started at Harris Associates in 2005 after serving as director of research at Hilliard, Lyons Asset Management. Prior to that, he was an investment analyst at Wallington Asset Management. Mr. Hudson earned a M.S. and an M.B.A. from Indiana University and a B.A. from DePauw University.

- John Sitarz has been a partner of the firm since January 2022. Mr. Sitarz joined Harris Associates in 2013 and has served as a U.S. investment analyst. Prior to that, he was an audit senior assistant at Deloitte & Touche. Mr. Sitarz received a B.S. from the University of Denver.

Pier 21 / C WorldWide (CWW) Asset Management Global Decision Team:
Lars Wincentsen a long-time Portfolio Manager and member of the Decision Team is becoming a full time Senior Advisor to the firm taking on research and special research projects, citing work-life balance as the driver to wind down his Portfolio Manager

responsibilities. Leemon Wu will rejoin CWW as Portfolio Manager (effective October 1, 2022) and Peter O'Reilly will formally join CWW's Global/International Decision Team. Further information can be found in the investment consultant's Flash Report (Attachment 2) of this report.

- Leemon Wu has more than 20 years of experience in fundamental analysis working as a business analyst, sell side analyst, and Portfolio Manager across a number of sectors within a Nordic framework, including a 9-year period at CWW from 2007 to 2016. Leemon will be part of global research meetings where global research assignments are being prioritized and processed.

- Peter O'Reilly has worked closely with CWW's Decision Team daily for approximately four years, actively contributing to the Global and International equity strategies. Peter has over 25 years of global investment expertise and a long history with key members of the CWW team. The Decision Team will thereby consist of Bo Knudsen (25 years at CWW), Bengt Seger (32 years at CWW), Mattias Kolm (19 years at CWW) and Peter O'Reilly (4 years at CWW).

Environmental, Social, and Governance (ESG) Data Service Provider Update

A result is nearing for the procurement of an ESG data service provider approved by the Board. Legal agreements and other documentation are being reviewed. The procurement was previously delayed due to an issue related to the City's vendor policy.

Current Asset Mix and Rebalancing

Contributions totaling $281 million were received by the Sinking Fund (SF) in the second quarter of 2022. These funds were then transferred to the fixed income managers to re-balance the SF portfolio. Table 1 below details the transfers completed and made on July 27, 2022.

Table 1
Transfers to Rebalance Fund on July 27, 2022

From	To	Investment Manager	Amount	Purpose
Cash	Sinking Fund	Fiera (Fixed Income)	$140.5 million	Rebalancing
		Addenda (Fixed Income)	$140.5 million	Rebalancing

The Current Funding Status of Long-Term Fund ("LTF") and Sinking Fund ("SF") as at August 12, 2022 is shown in Attachment 3. This document shows the market value of the current allocation by asset category and also categorizes each of these by investment manager in each portfolio. This attachment also includes the available cash for each portfolio.

Audit Compliance Update

The City's auditors (KPMG LLP) completed the Investment Policy compliance audit for the Short-Term Fund, Long-Term Fund, and Sinking Fund for the year ended December 31, 2021. Capital Markets staff were provided with the findings and no exceptions were found.

CONTACT

Randy LeClair, Director, Capital Markets
Tel: 416-397-4054; Email: Randy.LeClair@toronto.ca

SIGNATURE

Randy LeClair
Director, Capital Markets

ATTACHMENTS

Attachment 1 - Aon - Flash Report - Harris Associates Team Update
Attachment 2 - Aon - Flash Report - C WorldWide Global Equities Team Update
Attachment 3 - Current Funding Status of the LTF and the SF