FIRST QUARTER 2024 REVIEW

Johanne Bouchard | Carolyn Kwan

June 20, 2024

CITY OF TORONTO INVESTMENT BOARD

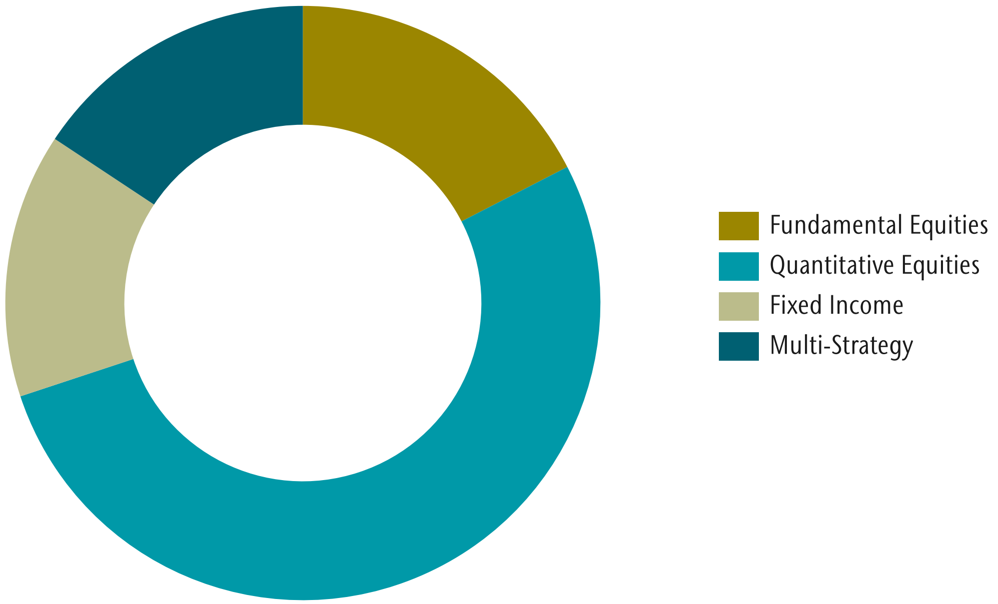
CC&L ORGANIZATIONAL UPDATE

March 31, 2024

CC&L AUM Breakdown by Strategy

OWNERSHIP

- No changes to structure
- Employee-owned
- Succession Plan



AUM breakdown may not add up to 100% due to rounding.
AUM numbers are preliminary and may be subject to change.
Source: Connor, Clark & Lunn Financial Group Ltd.

FIXED INCOME TEAM

IDENTIFYING OPPORTUNITIES & DEVELOPING RETURN FORECASTS

MACRO
Secular and cyclical outlook, interest rate forecasting

QUANTITATIVE RESEARCH
Quantitative factor forecasting

CREDIT
Investment grade and high yield corporate bond research and spread forecasting

TJ Sutter
CO-HEAD
15 YEARS

Carolyn Kwan
24 YEARS

Monica Demidow
12 YEARS

Ted Huang
15 YEARS

David George
CO-HEAD
27 YEARS

Jocelyn Chu
18 YEARS

Joe Dhillon
9 YEARS

Jason Li
10 YEARS

BUILDING PORTFOLIOS

PORTFOLIO CONSTRUCTION
Risk management and portfolio construction

PORTFOLIO ANALYSIS & DESIGN
Investment process management, oversight and analytics

IMPLEMENTATION
Trading

SYSTEMS DESIGN
Proprietary systems development for portfolio management

Simon MacNair
23 YEARS

Alicia Wu
12 YEARS

Tim Wilkinson
21 YEARS

Catherine Clarke
6 YEARS

Derek Poole
17 YEARS

Kevin Malcolm
14 YEARS

Calen Falconer-Bayard
7 YEARS

Kyle Holt
8 YEARS

Jasmine Chen
8 YEARS

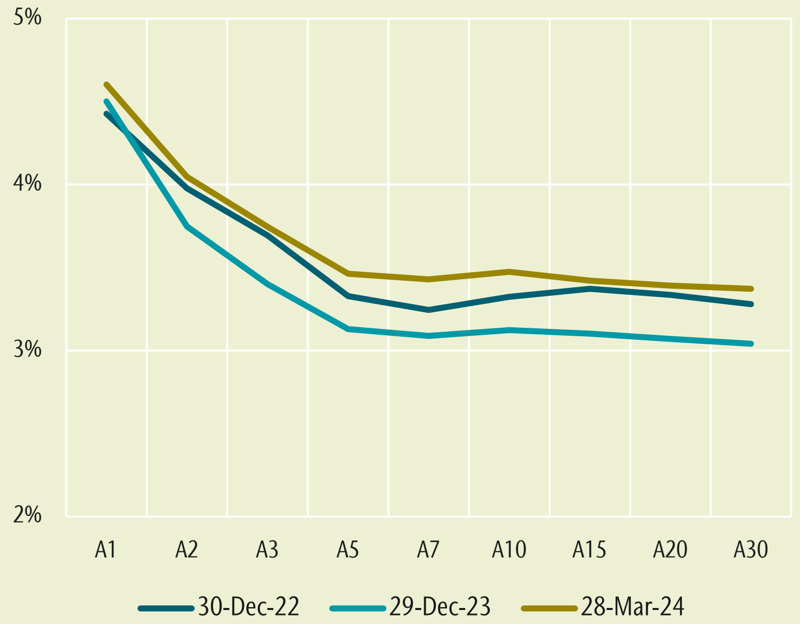
Desmond Leung
17 YEARS

Years of Industry Experience
As of January 1, 2024

INTEREST RATE REVIEW

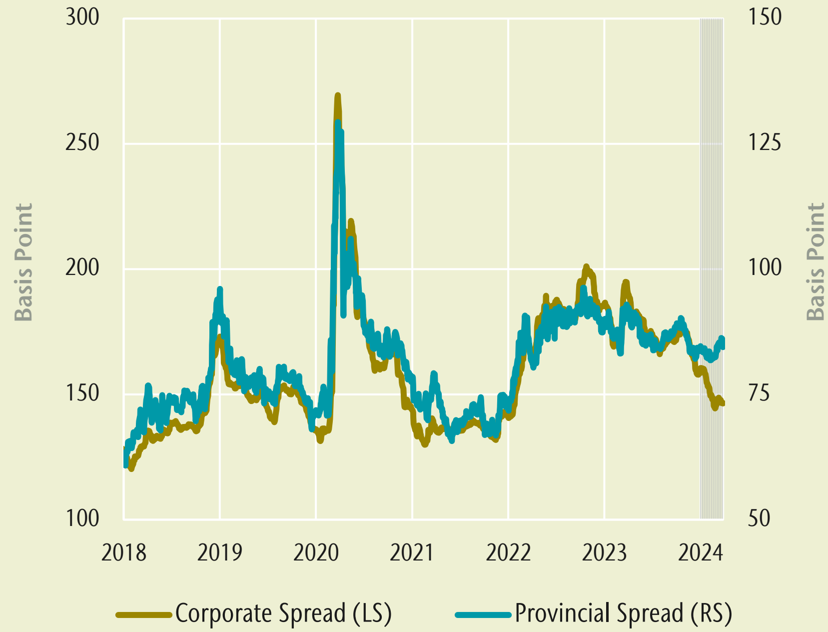
As of March 28, 2024

Change in Canada Yield Curve



Source: Bank of Canada, Macrobond

Credit Spreads



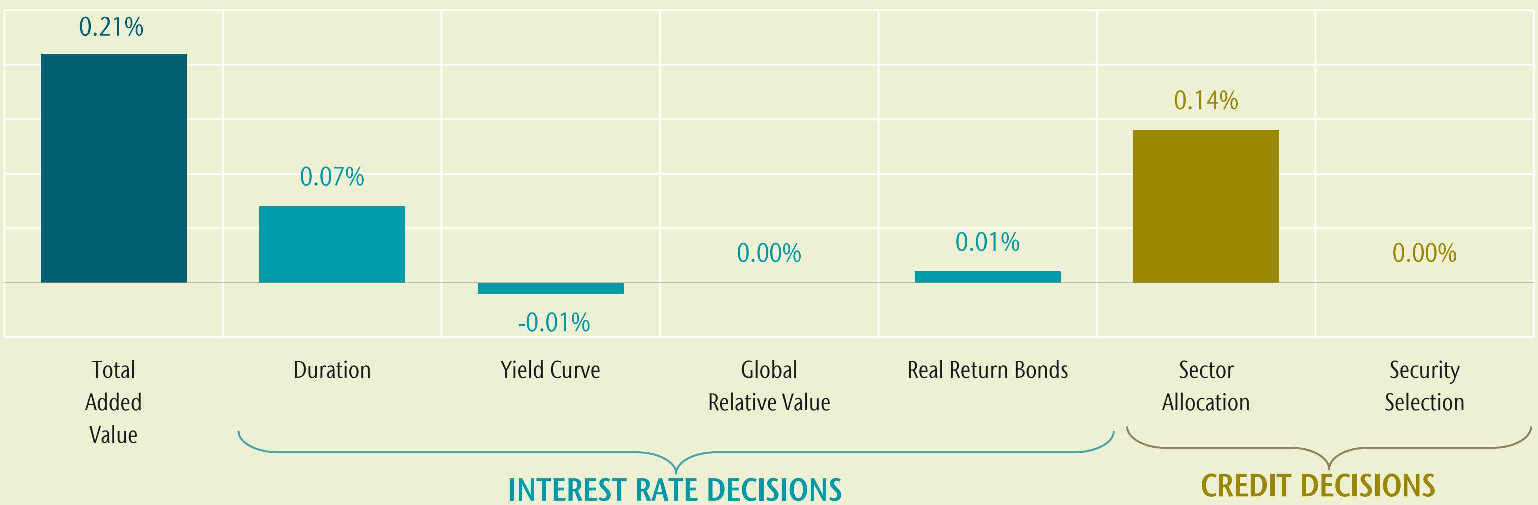
Source: FTSE Global Debt Capital Markets Inc., Connor, Clark & Lunn Investment Management Ltd.
Shaded area denotes Q1 2024

PERFORMANCE AND ATTRIBUTION

	2024 (%)	Annualized Returns to March 31, 2024 (%)				
	QTD	1 YR	2 YR	3 YR	4 YR	Since Inception
City of Toronto	**-1.02**	**2.46**	**0.45**	**-1.16**	**-0.03**	**0.33**
Benchmark *	-1.22	2.10	0.02	-1.52	-0.74	-0.23
Added Value	**0.21**	**0.37**	**0.43**	**0.35**	**0.71**	**0.56**

* FTSE Canada Universe Bond Index
Inception Date: June 28, 2019
All returns are gross of fees except where noted. Added value may differ due to rounding.
Source: Connor, Clark & Lunn Financial Group Ltd.

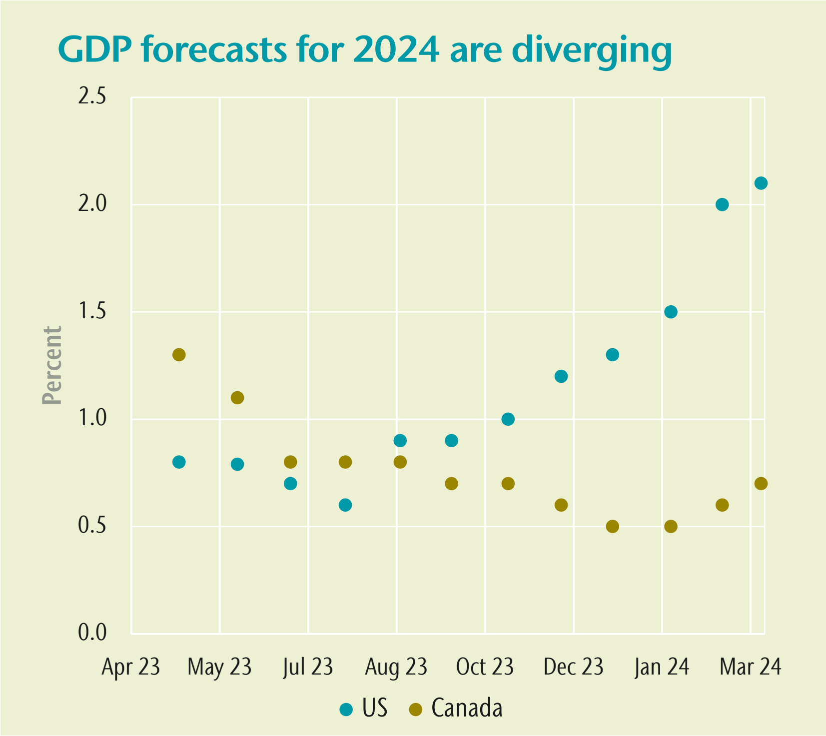
Q1 Attribution



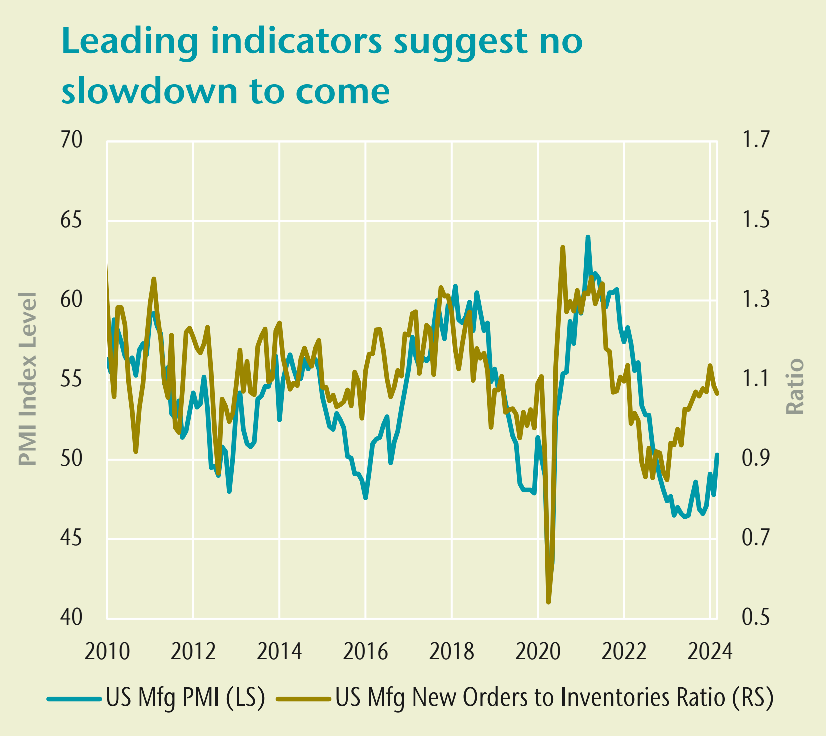
Source: Connor, Clark & Lunn Financial Group Ltd.

ECONOMIC OUTLOOK

GROWTH TRENDS DIVERGING



Source: Bloomberg

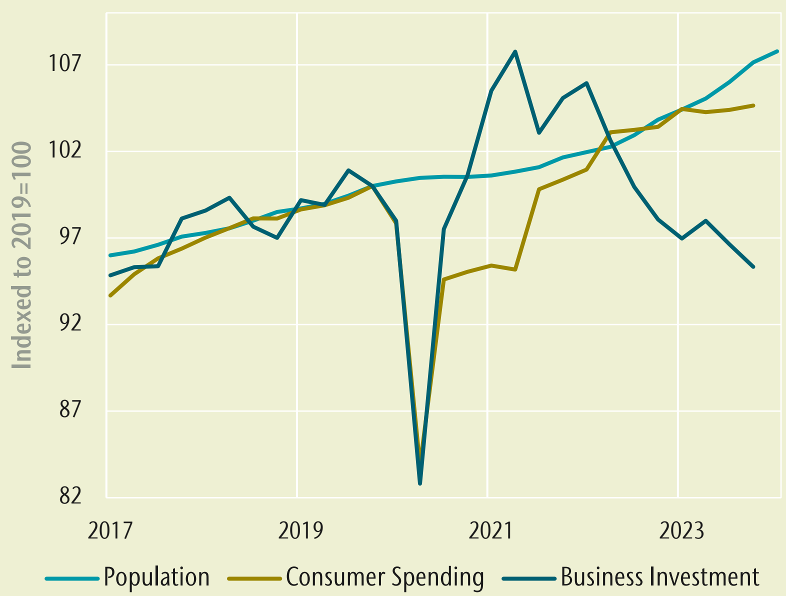


Source: ISM, Macrobond

Slowdown not seen in the US where growth is rebounding

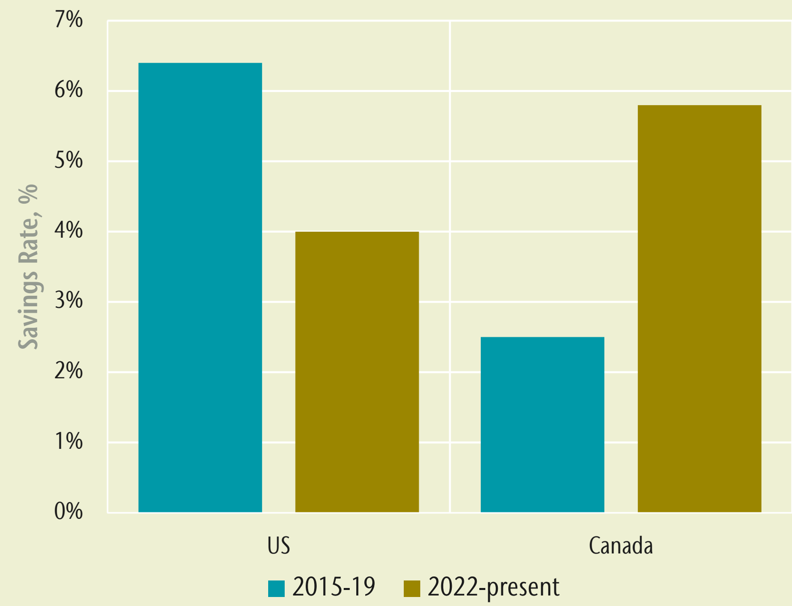
GROWING EVIDENCE OF SLOWING IN CANADIAN ECONOMY

Population growth is outpacing economic activity



Source: StatsCan, Macrobond

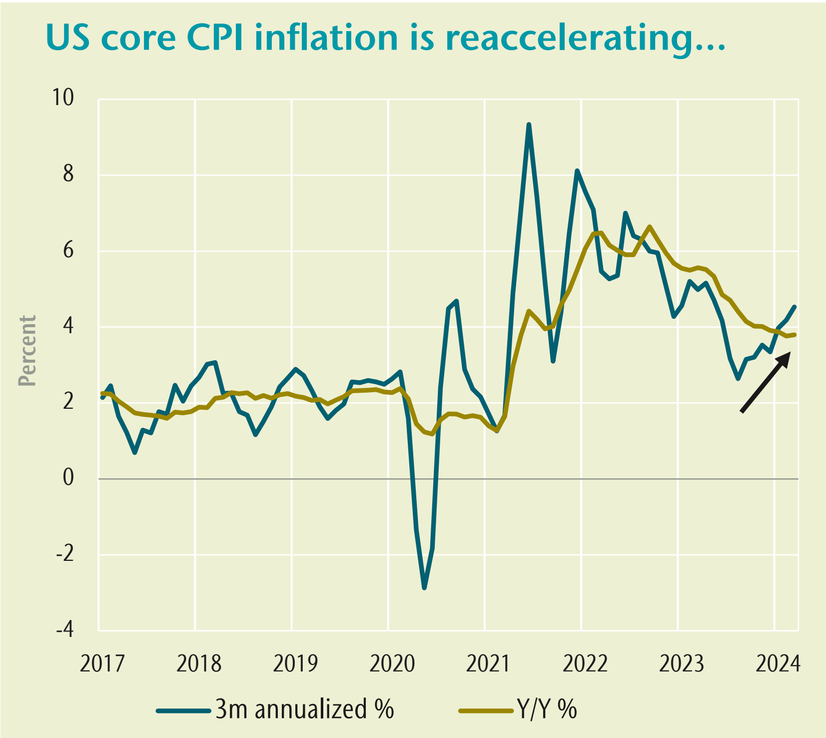
Canadians increasing precautionary savings



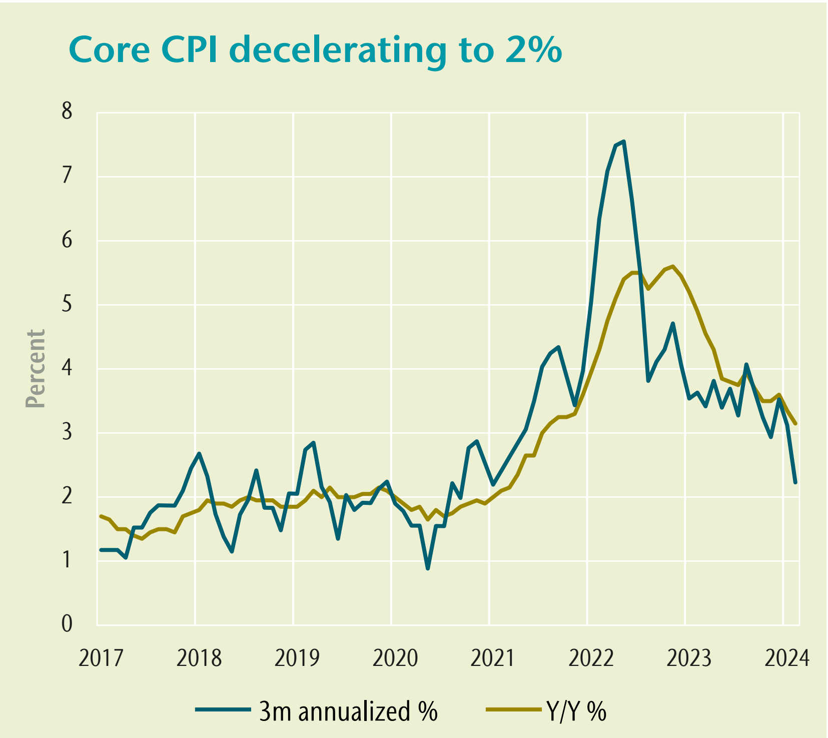
Source: StatsCan, Bureau of Economic Analysis, Macrobond

Canadian activity is weak outside of population growth, consumers growing cautious

US INFLATION ON UPSWING, CANADIAN INFLATION EASING



Source: BLS, Macrobond



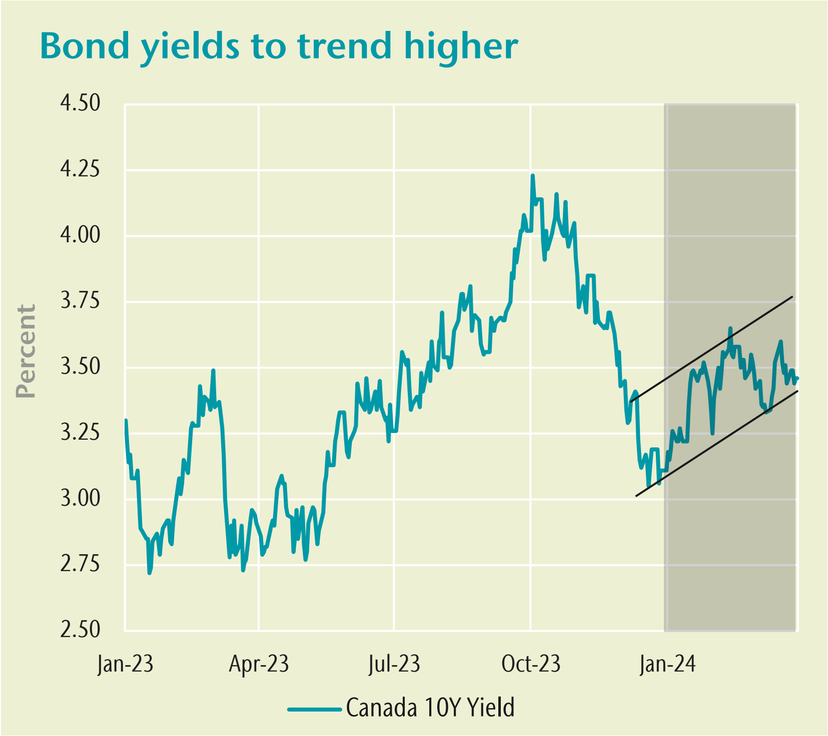
Source: StatsCan, Macrobond

Relative economic strength contributing to inflation divergence

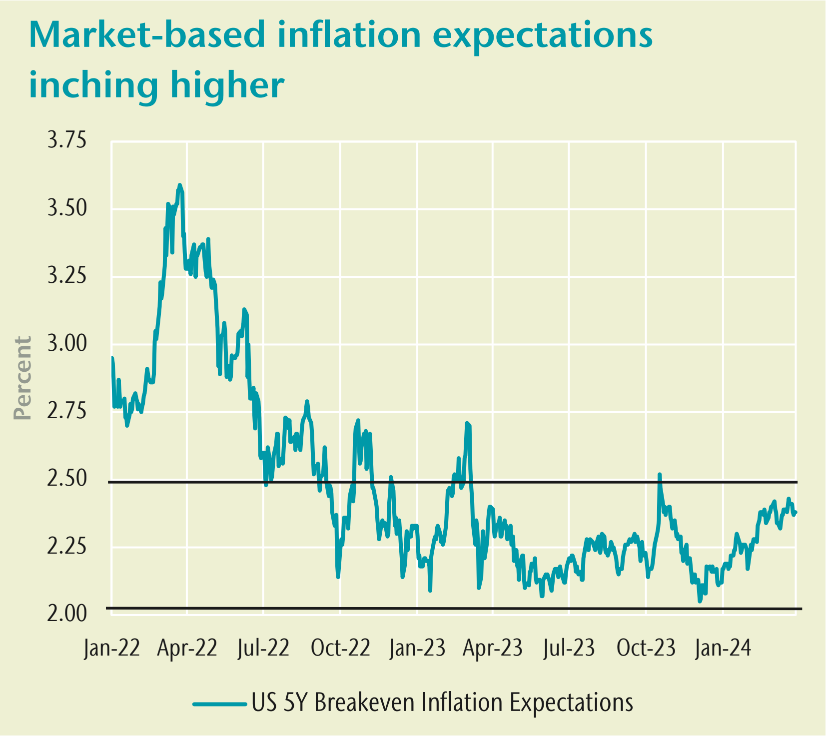
ECONOMIC SUMMARY

- Divergences in growth and inflation increasingly apparent
  - » US rebounding, sustained by consumer spending and business investment
  - » Canadian growth is not keeping up with population expansion
- Inflation:
  - » Tight US markets causing inflation to flare up
  - » Canadian slack is opening up

BOND MARKETS UNDERESTIMATED US INFLATION STRENGTH



Source: BoC, Macrobond
Shading denotes Q1 2024

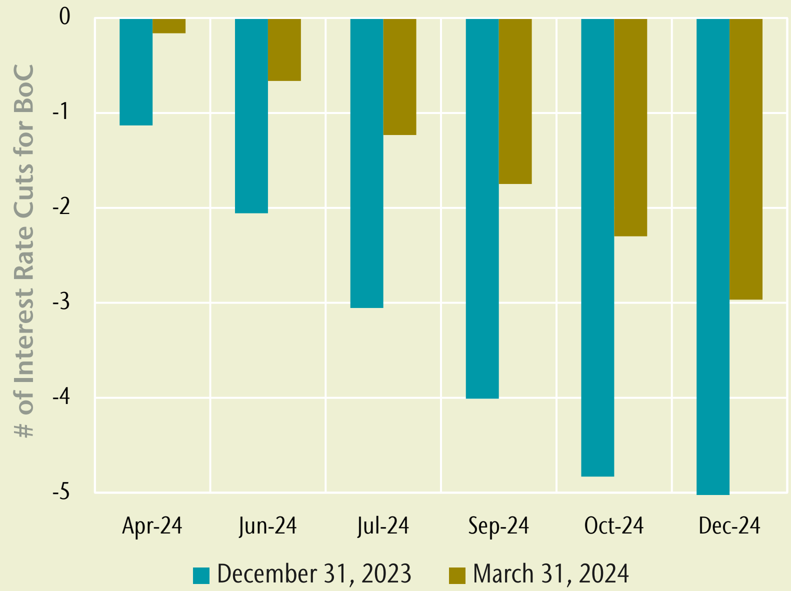


Source: Macrobond

A repricing of inflation expectations would push yields higher

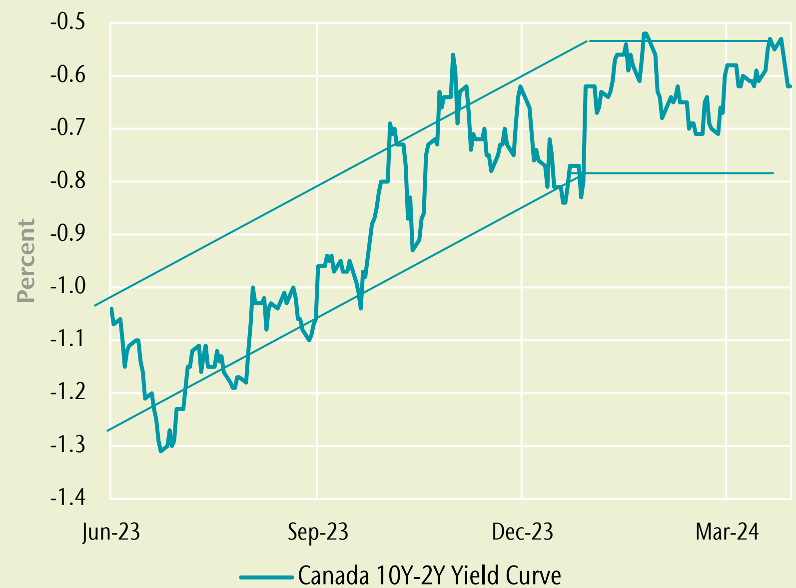
YIELD CURVE REMAINS INVERTED

Markets have dialed back rate cut expectations



Source: Bloomberg

Yield curve has been stable despite repricing



Source: Macrobond

Maintain bias for move toward normalization

FIXED INCOME PORTFOLIO STRATEGY

Investment themes

Interest rates

- Easing in monetary policy expected over coming year
  - » Yield curve
  - » Duration

Credit

- Corporate credit reflecting positive fundamentals
  - » Credit spreads
  - » Provincial bonds

APPENDIX

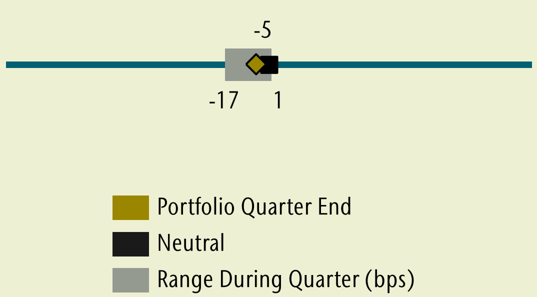
FIXED INCOME STRATEGY

	Weightings (%)			Contribution to Duration**		
March 31, 2024	Portfolio	Benchmark*	Over/Under	Portfolio	Benchmark*	Over/Under
Sovereign Bonds	10.8	39.9	-29.1	1.7	2.4	-0.7
Provincial Bonds	52.9	35.2	17.7	4.0	3.3	0.7
Corporate Bonds	34.6	24.9	9.8	1.3	1.4	-0.1
Corporate AAA/AA	3.7	2.3	1.4	0.1	0.1	0.0
Corporate A	11.5	11.5	0.0	0.4	0.7	-0.3
Corporate BBB	19.5	11.1	8.4	0.8	0.6	0.2
Corporate BB & Lower	0.0	0.0	0.0	0.0	0.0	0.0
Credit Default Swaps	0.0	0.0	0.0	0.0	0.0	0.0
Interest Rate Swaps	0.0	0.0	0.0	0.0	0.0	0.0
Cash & Equivalents***	1.7	0.0	1.7	0.0	0.0	0.0
Total	**100.0**	**100.0**	**0.0**	**7.0**	**7.1**	**-0.1**
Average Yield	**4.4%**	**4.2%**	**0.2%**			
Average Term (Years)	**9.5**	**9.8**	**-0.2**			
Average Quality	**AA**	**AA**				

*Benchmark: FTSE Canada Universe Bond Index
**Sensitivity measure to change in interest rates
***Cash excluding collateral for derivatives = 1.7%

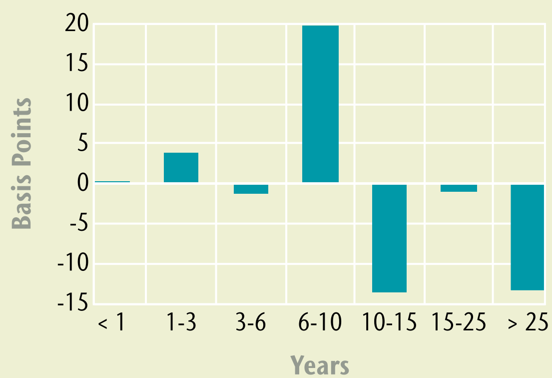
Duration Exposure

Portfolio Duration Relative to Benchmark



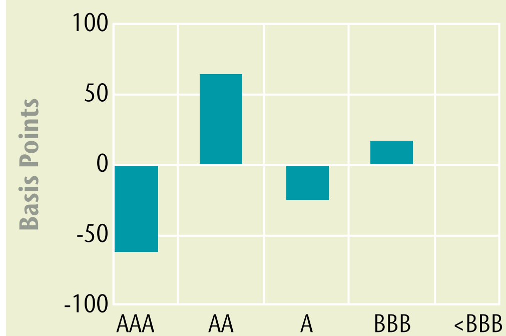
Yield Curve Exposure

Contribution to Duration



Overall Quality Exposure*

Contribution to Duration



* Based on FTSE Canada methodology

Source: Connor, Clark & Lunn Financial Group Ltd.

ESG COMMITTEE AGENDA 2023-2025

INTEGRATION:

- Assessing additional sources of data that may be used to more systematically integrate material ESG issues into our research
- Reviewing processes to better share ESG information across teams

REPORTING:

- Carbon Emission Scores will be added to our long only equity reports in 2024, others in next phase

ENGAGEMENT:

- Looking at how to broaden our engagement activities outside of Canada

ESG TRAINING:

- A formal ESG training framework was approved by the Board in Q4/23; in execution in 2024

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