REPORT FOR ACTION

Real Assets and Investment Plan Update

Date: September 3, 2024
To: Toronto Investment Board
From: Director, Capital Markets
Wards: All

SUMMARY

The purpose of this report is to update the Toronto Investment Board (Board) on the progress to date regarding the hiring of external investment managers in the Real Assets category.

The necessary reviews, negotiations and documentation has been completed with a second investment manager in this category. At this stage we can publicly disclose the name of the new Global Real Estate manager as CBRE Investment Management. This is in addition to the announcement of UBS Asset Management made at the previous meeting of the Board.

An updated Investment Plan with the names of the new Global Real Estate managers is included in Attachment 1 for review and adoption. The Investment Plan is a legislative requirement (Ontario Regulation 360/15 under the City of Toronto Act) and was last reviewed and adopted by the Board in June 2021.

Attachment 2 and Attachment 3 have been provided by CBRE Investment Management and UBS Asset Management respectively and are a summary of each individual mandate.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. The Toronto Investment Board adopt the updated Investment Plan as provided in Attachment 1 of this report.

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 20, 2024, the Toronto Investment Board received a report (June 6, 2024) from the Director, Capital Markets, on the progress to date regarding the hiring of external investment managers in the Real Assets category and announced the new Global Real Estate investment manager UBS Asset Management.
https://secure.toronto.ca/council/agenda-item.do?item=2024.IB7.5

At its meeting on April 3, 2024, the Toronto Investment Board received a report (March 16, 2024) from the Director, Capital Markets, on the progress to date regarding the hiring of external investment managers in the Real Assets category.
https://secure.toronto.ca/council/agenda-item.do?item=2024.IB6.4

At its meeting on December 11, 2023, the Toronto Investment Board received a report (November 24, 2023) from the Director, Capital Markets, on the progress to date regarding the hiring of external investment managers in the Real Assets category.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB5.4

At its meeting on September 29, 2023, the Toronto Investment Board received a report with confidential attachments (September 15, 2023) from the Director, Capital Markets, on the progress to date regarding the hiring of external investment managers in the Real Assets category.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB4.4

At its meeting on June 19, 2023, the Toronto Investment Board received a report (May 25, 2023) from the Director, Capital Markets, on the progress to date regarding the hiring of external investment managers in the Real Assets category.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB3.4

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 was presented a short-list of potential Global Real Estate investment managers which was developed by the investment consultant. The Board was informed that interviews and evaluations of

the short-listed investment managers would commence and that staff will report back to with a recommendation upon completion.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB13.4

At its meeting on June 2, 2021, the Toronto Investment Board requested the investment consultant, in consultation with City staff, to proceed with a manager search and evaluation for the Real Estate asset class within the guidelines of the Council-approved Investment Policy and report to the next meeting of the Toronto Investment Board.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB12.5

At its meeting on March 9, 2021, the Toronto Investment Board requested the Investment Consultant, in consultation with relevant City staff to compile information to help inform a conversation at the next meeting of the Toronto Investment Board on a potential asset mix study and report to the next meeting of the Board. Subsequent discussions with the investment consultant, City staff, and the Board Chair led to a request to review various sections of the Investment Policy (Attachment 1) and the Investment Plan (Attachment 2). An updated version of the Investment Plan with clarifying wording changes along with a summary of changes was provided. The information was reviewed and discussed by the Board at its meeting on June 2, 2021.
https://secure.toronto.ca/council/agenda-item.do?item=2021.IB12.6

At its meeting on July 8, 2020, the Toronto Investment Board received an informational report with a confidential attachment that provided a listing of possible investments in the Real Assets category.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB7.5

At its meeting on December 4, 2019, the Toronto Investment Board received a memorandum from the investment consultant entitled "Real Assets Roadmap" which outlined the rationale to consider Real Estate and Infrastructure investments in both core and open-ended funds with a North American/Global focus. The Board also adopted a report which recommended the Investment Policy be amended to change the geographical scope of the both Real Estate and Infrastructure sub-categories to North American/Global Core (from Canadian Core and Global Core respectively).
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB5.6

At its meeting on November 13, 2018, the Toronto Investment Board requested the Executive Director, Corporate Finance and the Investment Consultant, Aon Hewitt, take the necessary steps to implement City Council's Investment Policy in regards to Real Assets.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.IB8.3

At its meeting on September 6, 2018, the Toronto Investment Board directed staff to invest the 10 percent of the overall portfolio allocated to Real Assets in other liquid asset categories in order to maintain future flexibility to invest in Real Assets, provided the guidelines of the Council-approved Investment Policy are maintained.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.IB7.5

COMMENTS

Announcement of new Global Real Estate Investment Manager

In addition to the Global Real Estate investment manager UBS Asset Management announced at the previous meeting of the Board, negotiations and documentation with another investment manager in the Global Real Estate category, as selected by the Board, has been completed with the signing of subscription agreements, side letters and other documents. Separate custodial accounts have been set-up for this investment manager. At this stage CBRE Investment Management can be publicly disclosed as the name of this new Global Real Estate manager. The Investment Plan in Attachment 1 has been updated to reflect the addition of the two investment managers: UBS Asset Management and CBRE Investment Management.

Funding of Global Real Estate Investment Managers

As the Investment Plan indicates, the Real Estate allocation target is five per cent with a maximum of ten per cent. Given the Board has chosen two managers, the target allocation has been split in half (approximately 2.5 per cent to each manager) but may exceed this target to accommodate future cashflows. Initial funding for UBS Asset Management mandate took place in July 2024. Funding is committed to the CBRE Investment Management mandate and is awaiting a capital call. Allocation for the CBRE Investment Management mandate is expected to take place in Q4 2024 or Q1 2025. The breakdown of the funding of these mandates will be provided in the Investment Manager Update report included in this meeting and future meeting agendas.

CONTACT

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

SIGNATURE

Randy LeClair
Director, Capital Markets

ATTACHMENTS

Attachment 1 - Toronto Investment Board - Investment Plan - September 26, 2024
Attachment 2 - CBRE Global Alpha - Executive Summary
Attachment 3 - UBS Asset Management GRE Fund Overview - June 2024