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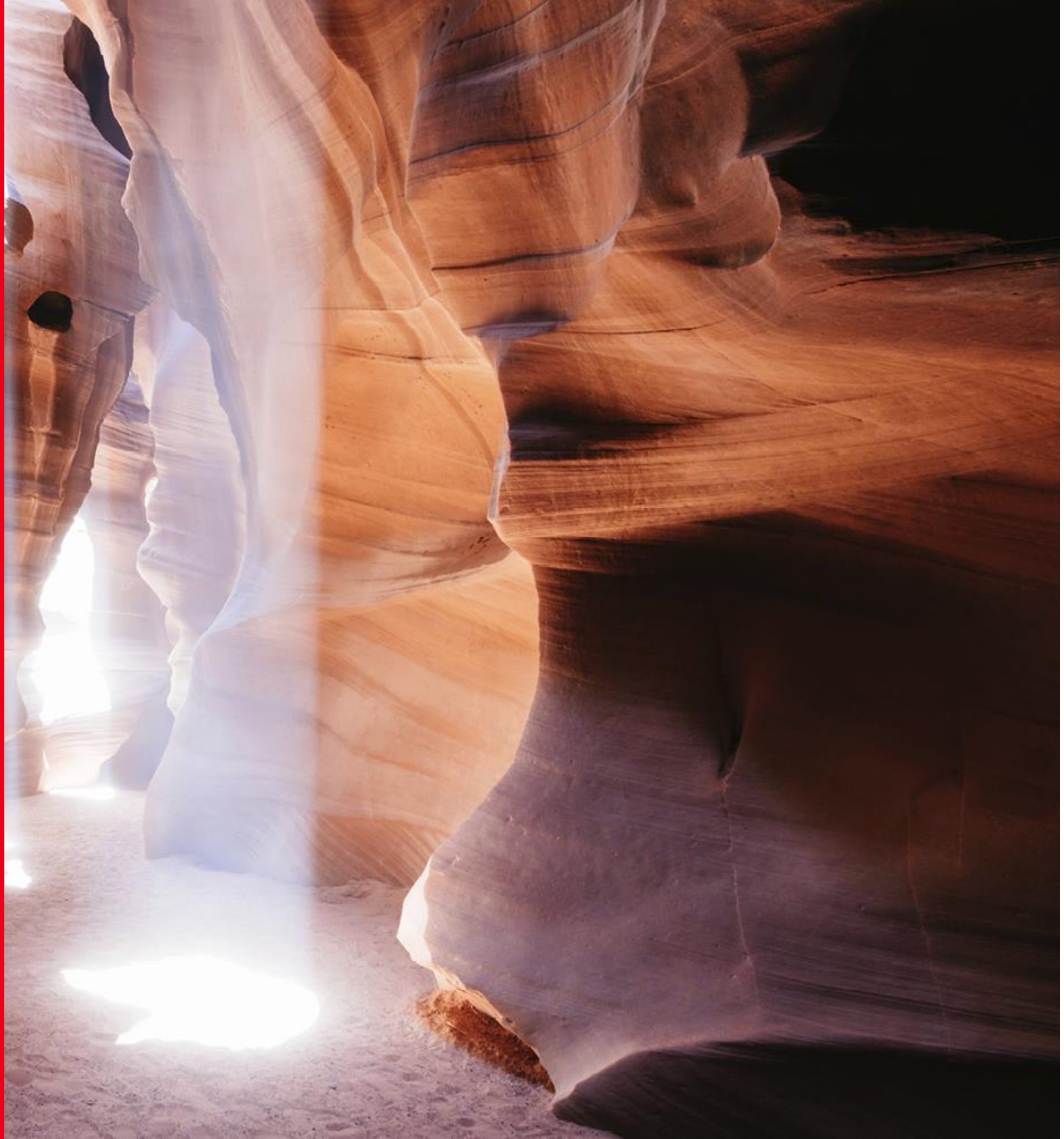


Attachment 1A

Discussion Guide

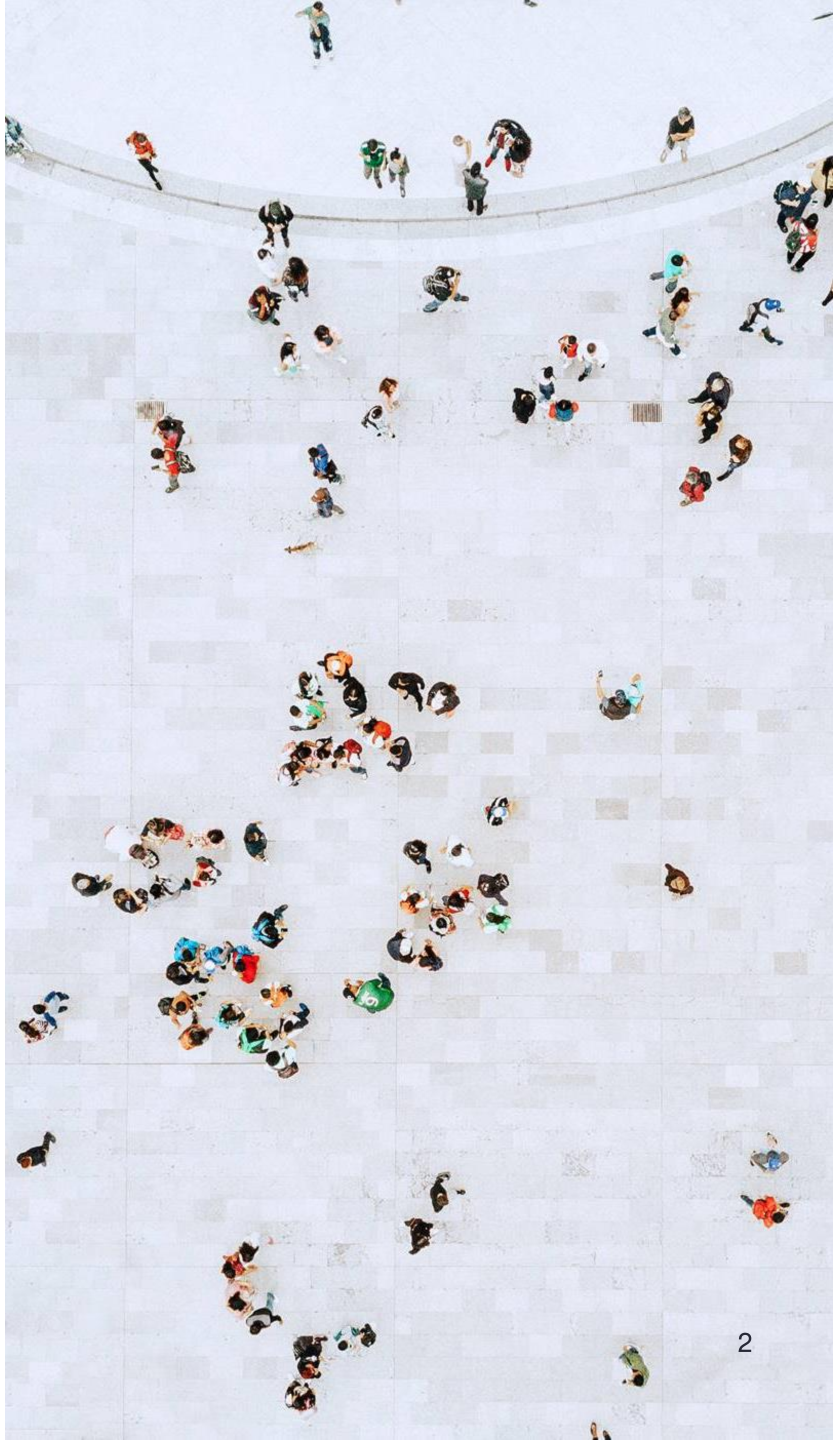
2024 Q3

Prepared for: City of Toronto (Investment Board)

Prepared by: Aon Solutions Canada Inc.

12 December 2024

Agenda



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Markets Review

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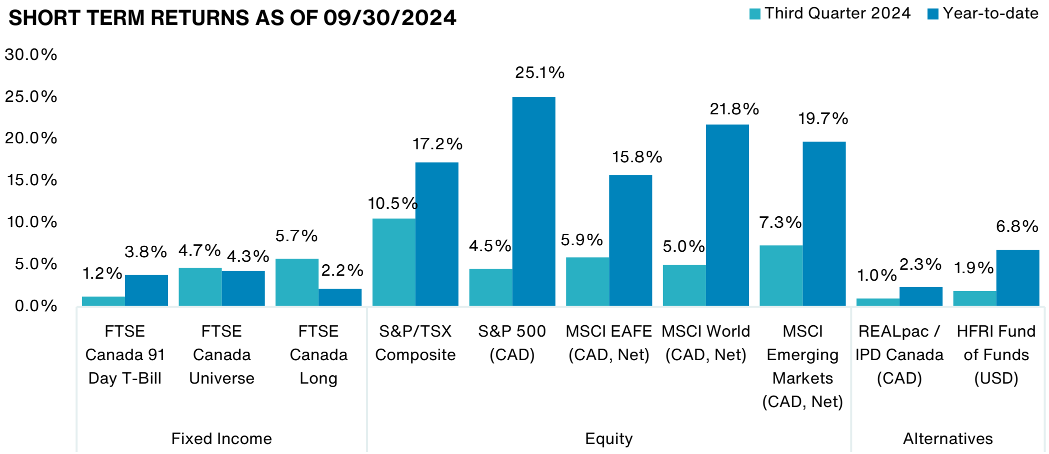
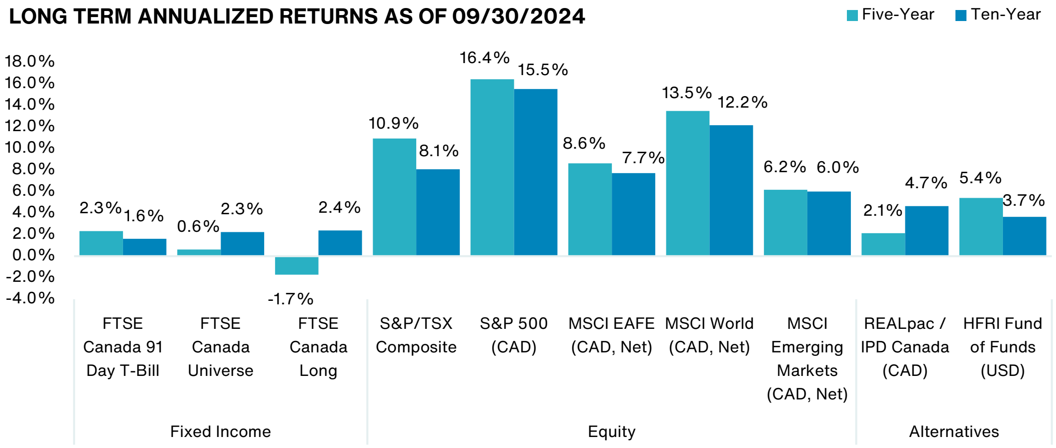
Capital Markets Overview



Sources: S&P, MSCI, IPD, FTSE. Unless it's otherwise stated, gross CAD returns are shown in this report.

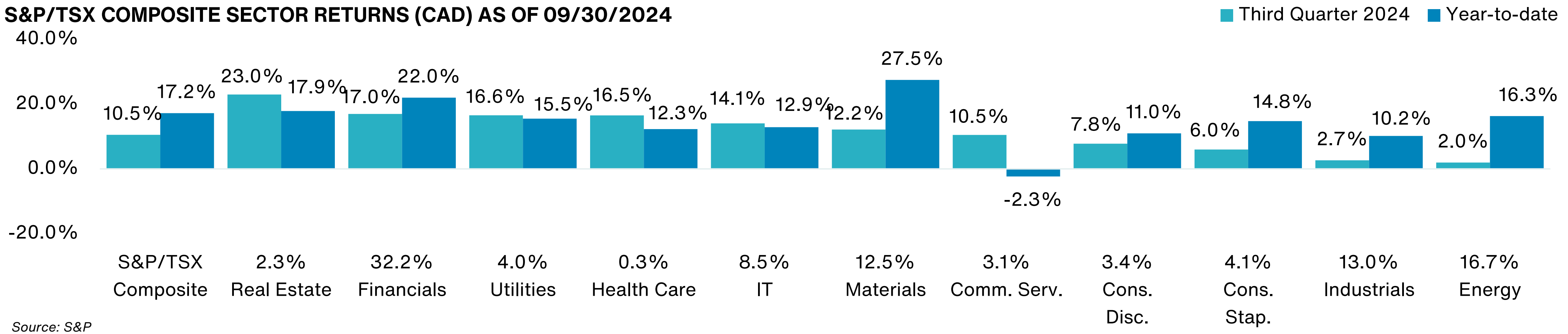


Sources: S&P, MSCI, IPD, FTSE

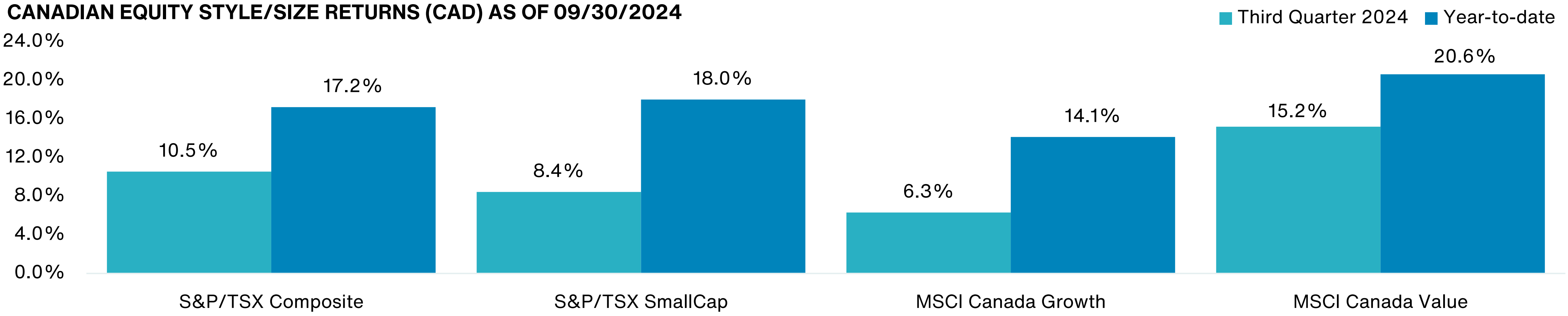
- In Q3 2024, the global equity markets rose despite heightened volatility. The S&P/TSX Composite Index continued making new highs amid better-than-expected Q2 GDP growth and easing inflation. The index breached the 24,000 mark for the first time, with index heavyweights like financials and materials contributing significantly. Volatility rose in Q3 with the VIX reaching 16.7, peaking at 38.6 in early August before dropping below its 20-year average of 19.1. The MSCI World Index rose 4.7% in local currency terms and 5.0% in Canadian dollar (CAD) terms.
- The Bank of Canada (BoC) cut its benchmark interest rate twice over the quarter, by 0.25% each time to 4.25%, and announced that it was continuing to normalize the Bank's balance sheet. BoC governor Tiff Macklem stated, " If inflation continues to ease broadly in line with our July forecast, it is reasonable to expect further cuts in our policy rate." Canada's headline inflation continued to decline, with the consumer price inflation (CPI) reaching BOC's target of 2.0% year-on-year (YoY) in August, and falling further to 1.6% in September, the lowest increase since February 2021.
- The U.S. Federal Reserve (Fed) cut its benchmark interest rate by 0.5% to a range of 4.75%-5.0%, the first rate cut in more than 4 years. The Federal Open Market Committee (FOMC) stated that "inflation is moving sustainably toward 2%, and judges that the risks to achieving its employment and inflation goals are roughly in balance." According to the latest Fed "dot plot", policymakers are projecting another half-point reduction by the end of 2024, a full percentage point reduction in 2025, and the rate falling below 3% in 2026.
- The Bank of England (BoE) reduced its policy interest rate by 0.25% to 5.0%, delivering its first cut in more than four years. The Monetary Policy Committee voted unanimously to reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, by £100 billion over the next 12 months, to a total of £558 billion.
- The European Central Bank (ECB) reduced its policy interest rate by 0.25% to 3.50% in response to lower inflation and weak eurozone growth.
- The Bank of Japan (BoJ) raised its policy interest rate by 0.15% to 0.25%, the highest since 2008. The BoJ plans to reduce its monthly purchase of Japanese government bonds by 400 billion yen each quarter, from the current 5.7 trillion yen to 2.9 trillion yen by Q1 2026.

Capital Markets Overview

Canadian Equity



Source: S&P

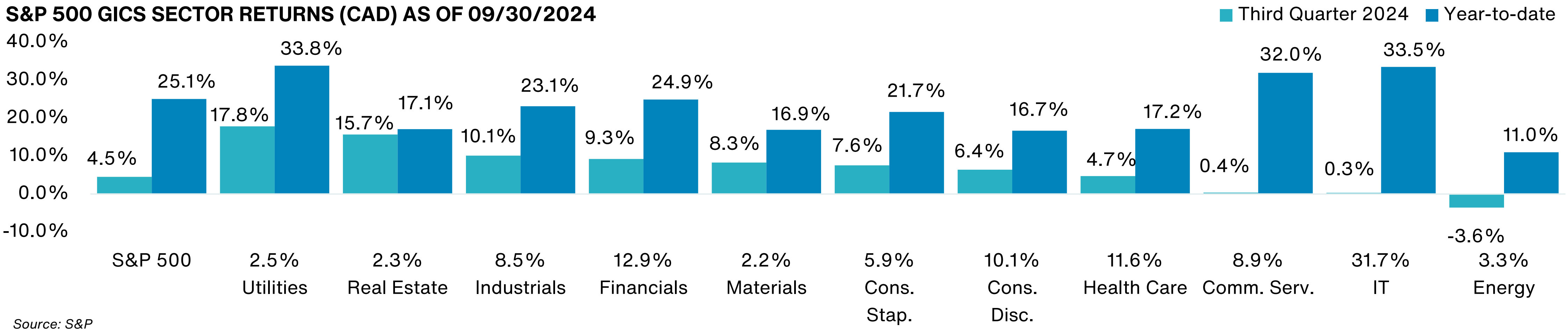


Source: S&P, MSCI

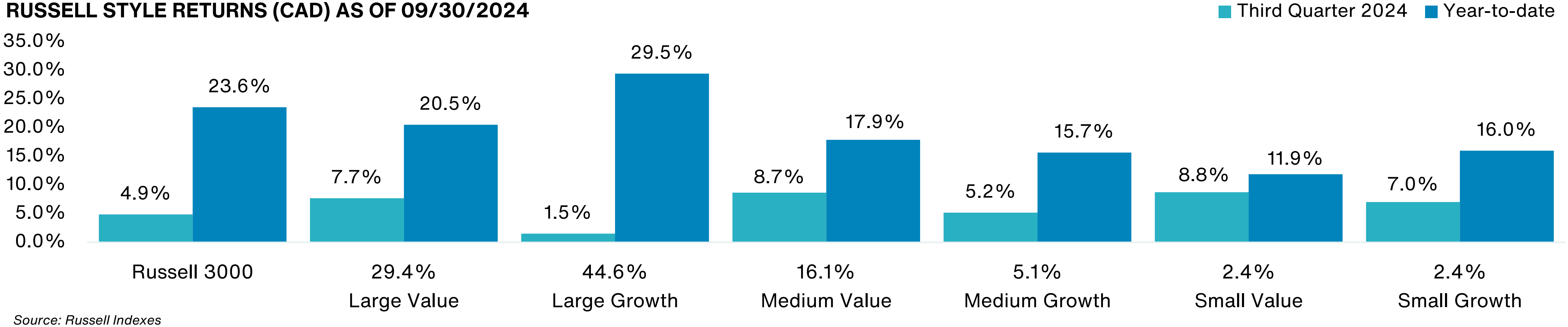
Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses.

Capital Markets Overview

U.S. Equity



Source: S&P

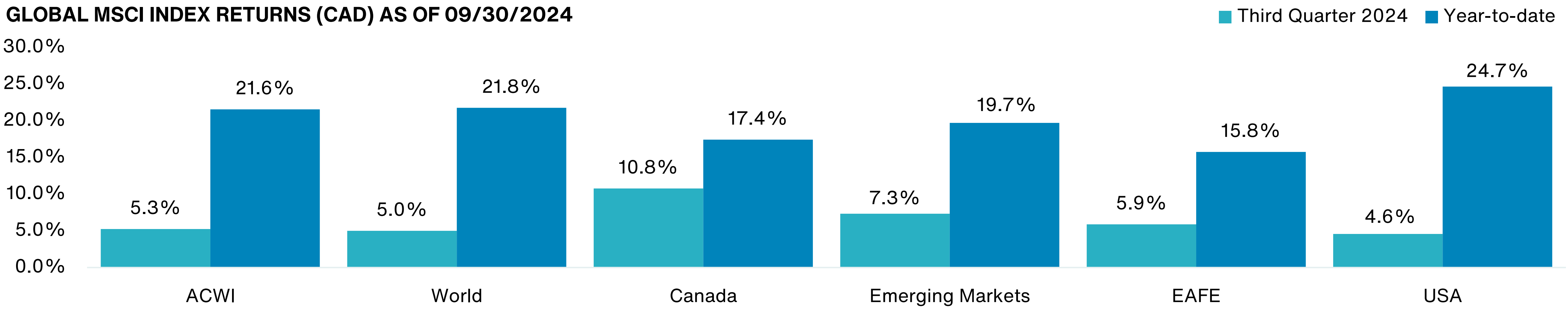


Source: Russell Indexes

Capital Markets Overview

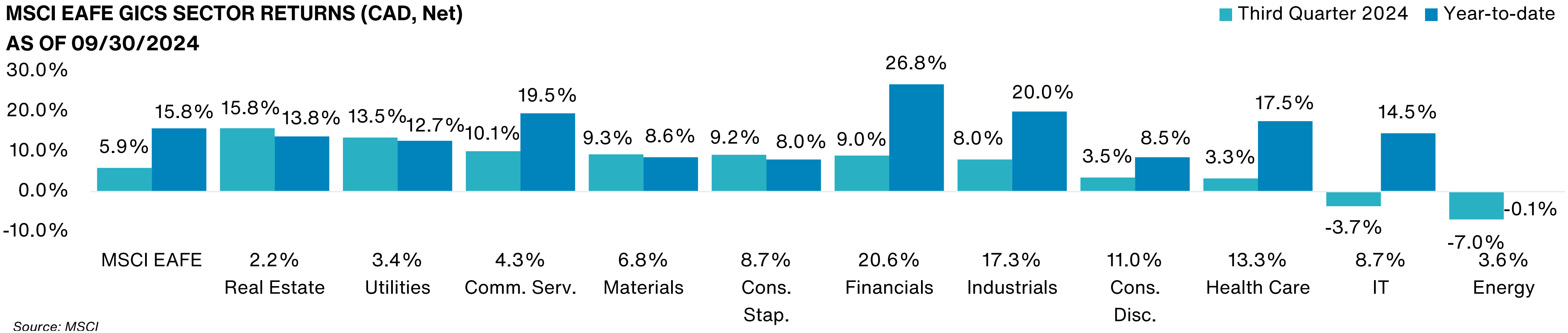
Global Equity

GLOBAL MSCI INDEX RETURNS (CAD) AS OF 09/30/2024



Source: MSCI. Gross returns shown for the MSCI Canada and USA indices, whilst net returns are shown for the other indices.

MSCI EAFE GICS SECTOR RETURNS (CAD, Net) AS OF 09/30/2024

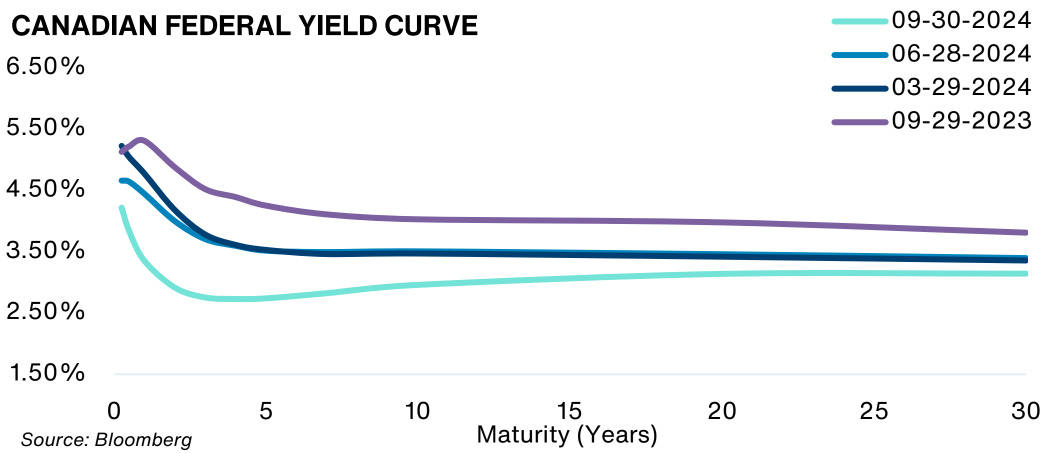


Source: MSCI

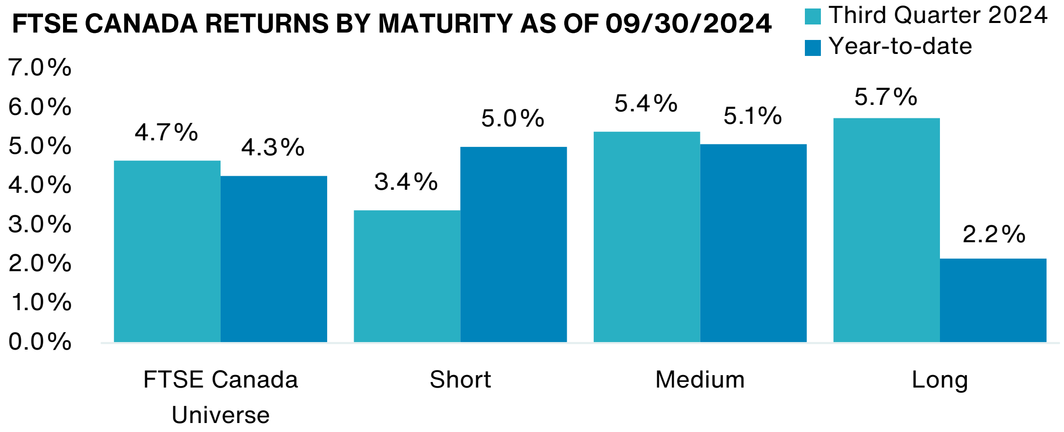
Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses.

Capital Markets Overview

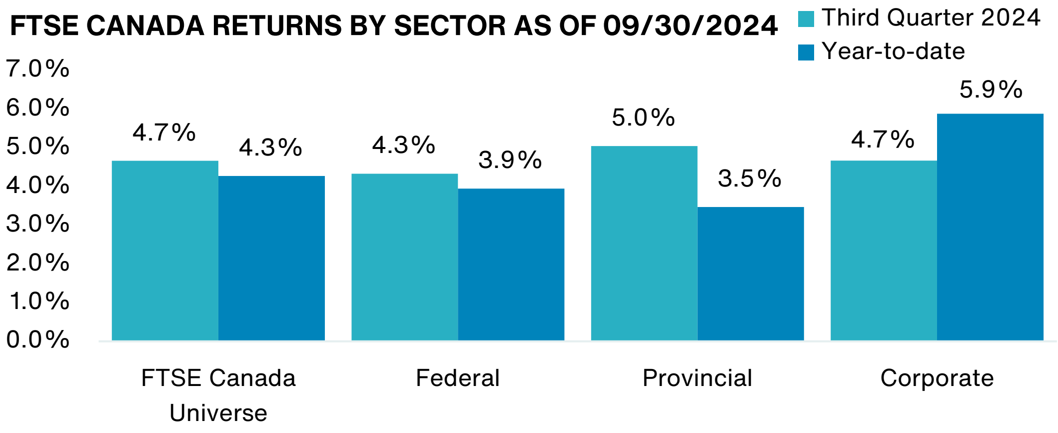
Fixed Income



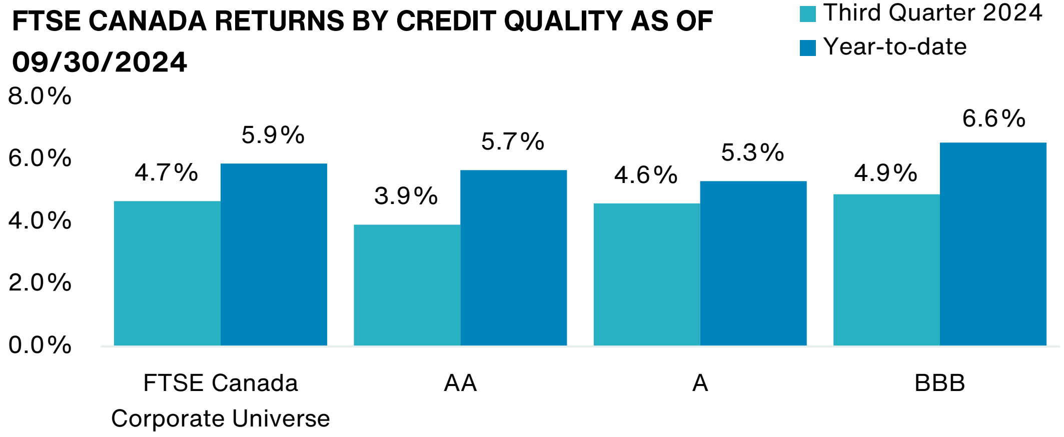
Source: Bloomberg



Source: FTSE



Source: FTSE



Source: FTSE

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses.

2

Performance Review

Executive Summary – Sinking Fund and Long-Term Fund

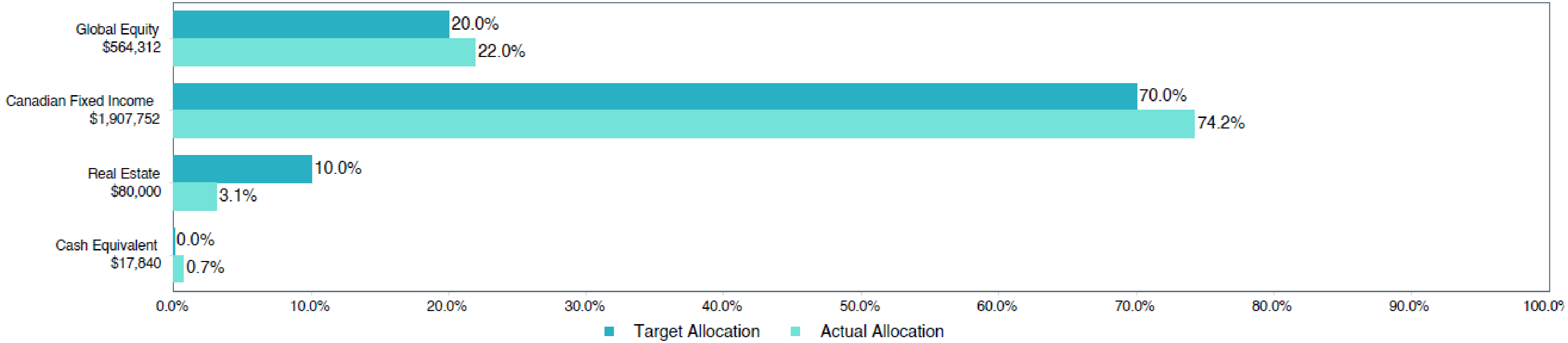
	Performance (%)			Market value ($000)	Fees (bps)	Objective Met	Action Required
	Quarter	1 Year	4 Year				
Sinking Fund Return	5.4	18.9	0.3	2,569,904	13.4	No	No
Sinking Fund Benchmark	5.0	17.9	1.1				
Value Added	0.4	1.0	-0.8				
Long Term Fund Return	4.9	17.2	2.7	5,424,532	15.4	No	No
Long Term Fund Benchmark	4.4	16.0	2.9				
Value Added	0.5	1.2	-0.2				

Asset Allocation Compliance – Sinking Fund

Total Sinking Fund

Asset Allocation Compliance

As of 30 September 2024 ($000)



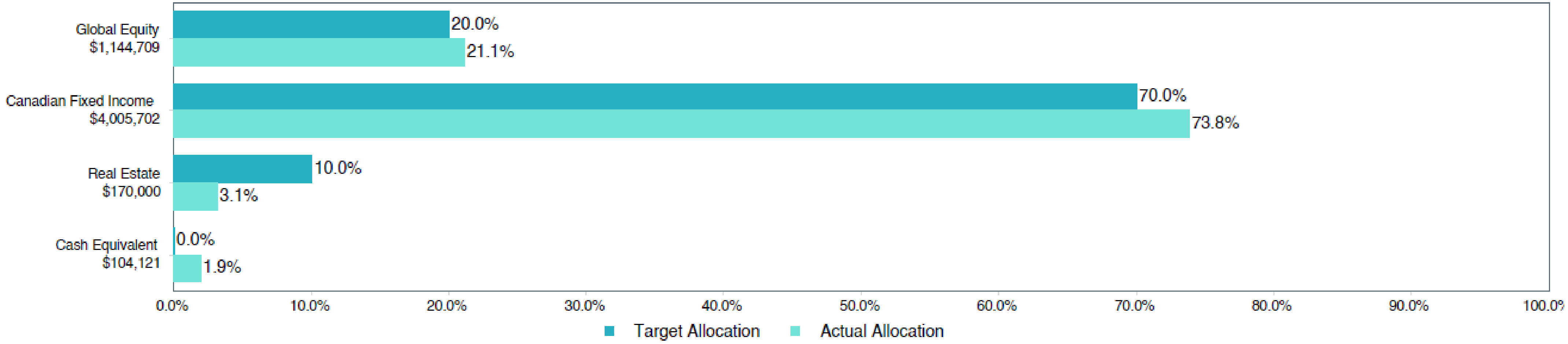
	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	564,312	22.0	20.0	2.0	0.0	30.0	Yes
Canadian Fixed Income	1,907,752	74.2	70.0	4.2	50.0	100.0	Yes
Real Estate	80,000	3.1	10.0	-6.9	0.0	15.0	Yes
Cash Equivalent	17,840	0.7	0.0	0.7	0.0	5.0	Yes
Total Fund	**2,569,904**	**100.0**	**100.0**	**0.0**			

Asset Allocation Compliance – Long Term Fund

Total Long Term Fund

Asset Allocation Compliance

As of 30 September 2024 ($000)



	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	1,144,709	21.1	20.0	1.1	0.0	30.0	Yes
Canadian Fixed Income	4,005,702	73.8	70.0	3.8	50.0	100.0	Yes
Real Estate	170,000	3.1	10.0	-6.9	0.0	15.0	Yes
Cash Equivalent	104,121	1.9	0.0	1.9	0.0	5.0	Yes
Total Fund	**5,424,532**	**100.0**	**100.0**	**0.0**			

Strategy Performance

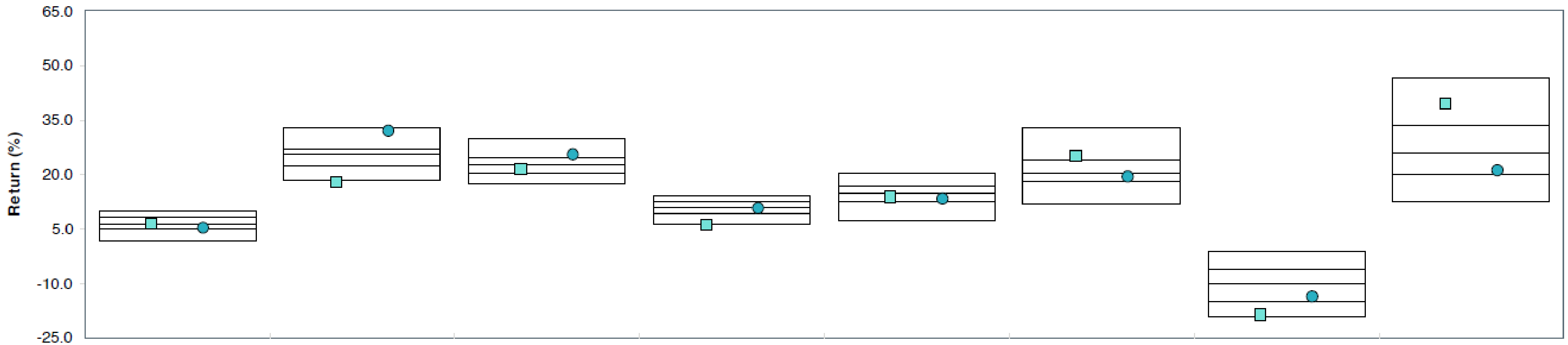
Strategy	Rating	Value Added (%) Quarter	Value Added (%) SI*	Action Required
Addenda LDI	Buy	-0.1	0.2	No
Fiera LDI	Buy	0.3	0.2	No
CC&L Core Fixed Income	Buy	0.1	0.6	No
Leith Wheeler Core Fixed Income	Buy	0.3	0.7	No
Pier 21 Global Equity	Buy	-2.6	-0.6	No
Oakmark Global Equity	Buy	1.0	-4.3	No
Fiera Global Focused Equity	Buy	-1.2	0.2	No
LGIM Multi-Factor Global Equity	Buy	1.8	-2.8	No
UBS Global Real Estate	Buy	-	-	No

*Since Inception Dates:
- Addenda LDI: 7/1/2019
- Fiera LDI: 7/1/2019
- CC&L Core Fixed Income: 7/1/2019
- Leith Wheeler Core Fixed Income: 7/1/2019
- Pier 21 Global Equity: 11/1/2019
- Oakmark Global Equity: 11/1/2019
- Fiera Global Focused Equity: 2/19/2020
- LGIM Multi-Factor Global Equity: 12/14/2020

Oakmark Global Equity – Value Peer Group Analysis

As of 30 September 2024

Global Equity Value



	1 Quarter	1 Year	2 Years	3 Years	4 Years	1 Year Ending Sep-2023	1 Year Ending Sep-2022	1 Year Ending Sep-2021
Oakmark Global Equity	6.5 (50)	18.0 (98)	21.6 (72)	6.4 (93)	13.8 (60)	25.3 (20)	-18.6 (92)	39.6 (13)
MSCI ACWI	5.4 (72)	32.2 (7)	25.7 (19)	11.0 (49)	13.5 (64)	19.5 (56)	-13.5 (73)	21.4 (74)
5th Percentile	10.1	33.0	29.9	14.1	20.4	32.9	-1.1	46.7
1st Quartile	8.2	27.3	24.8	12.6	17.0	24.2	-6.1	33.4
Median	6.4	25.6	22.8	10.8	14.7	20.7	-10.0	26.2
3rd Quartile	5.2	22.7	20.6	9.3	12.6	18.1	-15.0	20.0
95th Percentile	1.9	18.5	17.5	6.2	7.4	12.0	-19.1	12.7
Population	82	82	82	82	82	86	96	100

- Please note for Oakmark Global Equity, the manger is reporting net of fees return, while other managers are reporting gross of fees.

Oakmark Global Equity – Value Peer Group Analysis

As of 30 September 2024

	Standard Deviation 4 Years	Information Ratio 4 Years	Sharpe Ratio 4 Years	Excess Performance 4 Years	Tracking Error 4 Years
Oakmark Global Equity	16.5 (10)	0.1 (56)	0.7 (87)	0.4 (60)	8.6 (31)
MSCI ACWI	12.3 (63)	N/A	0.9 (67)	0.0 (64)	0.0 (100)
5th Percentile	18.0	0.7	1.2	6.9	11.5
1st Quartile	14.1	0.4	1.1	3.5	9.0
Median	12.7	0.2	1.0	1.2	7.5
3rd Quartile	11.8	-0.1	0.8	-0.9	6.0
95th Percentile	10.5	-0.8	0.5	-6.1	4.1

- Please note for Oakmark Global Equity, the manger is reporting net of fees return, while other managers are reporting gross of fees.

Manager Updates

Addenda	• Derek Vine has been appointed Senior Portfolio Manager, Core Fixed Income	Integrated
CC&L	• No significant updates impacting City of Toronto	Integrated
Leith Wheeler	• No significant updates impacting City of Toronto	Advanced
Pier 21 (C. Worldwide)	• No significant updates impacting City of Toronto	Integrated
LGIM	• Eric Adler will join LGIM as the new CEO of the Asset Management division. Michelle Scrimgeour will be stepping down in December	Advanced
Fiera	• There were several personnel changes in Q3 2024, no significant updates impacting City of Toronto	Integrated
UBS	• No significant updates impacting City of Toronto	N/A

ESG Rating Scale

- The rating assesses the integration of financially material ESG risk factors into the investment decision-making process.

The ESG factor is assigned a rating and can be interpreted as follows.

Rating	Description
Advanced (A)	The fund management team demonstrates an advanced awareness of potential ESG risks in the investment strategy. The fund management team can demonstrate advanced processes to identify, evaluate and potentially mitigate these risks across the entire portfolio.
Integrated (I)	The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.
Limited (L)	The fund management team has taken limited steps to address ESG considerations in the portfolio.
Not applicable (N/A)	ESG risks and considerations are not applicable to this strategy, for example, on the grounds of materiality or asset class relevance.

3

Appendix

SciBeta Multifactor Benchmark
Performance Attribution

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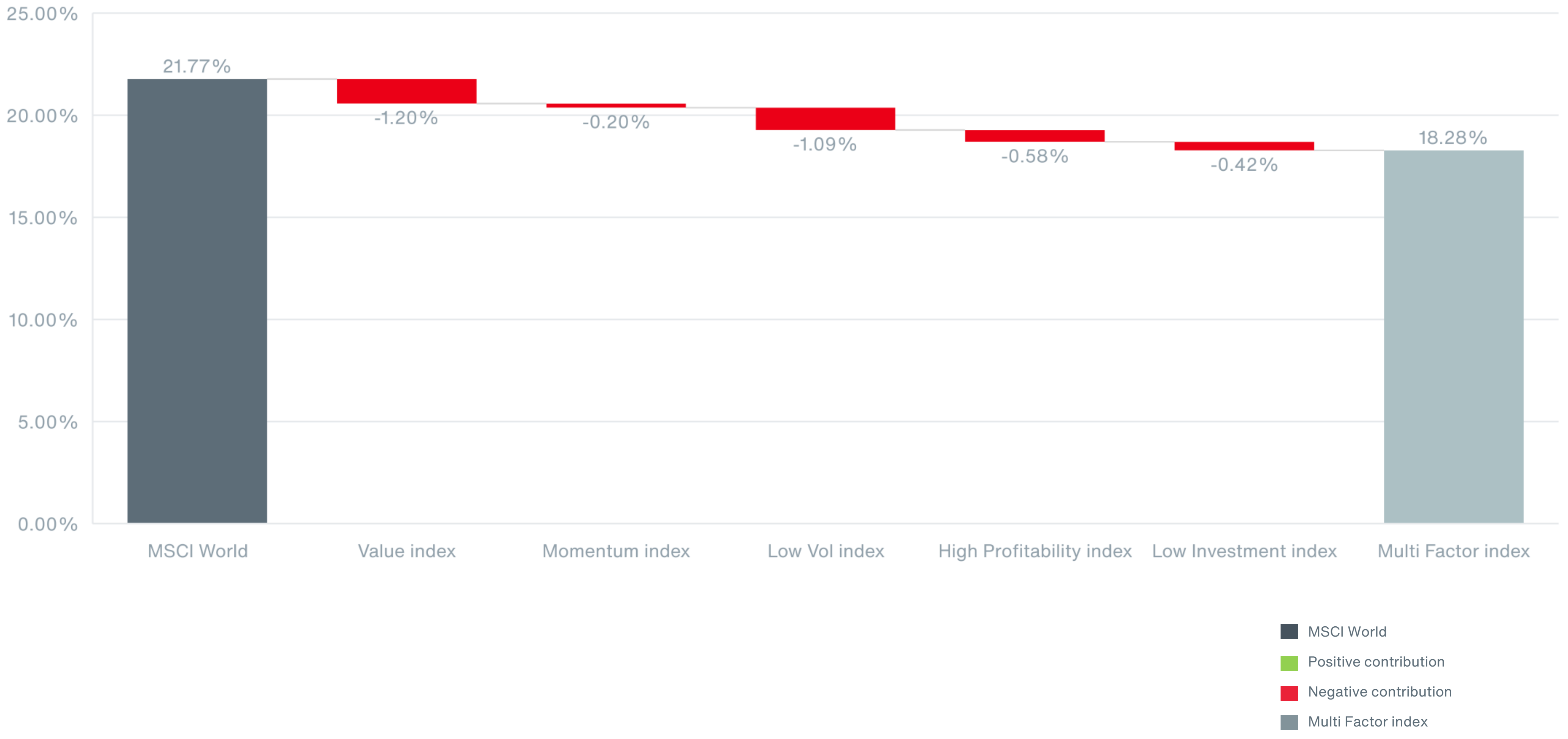
Performance attribution – Scibeta Multi-factor benchmark

1 Quarter – As of September 30, 2024

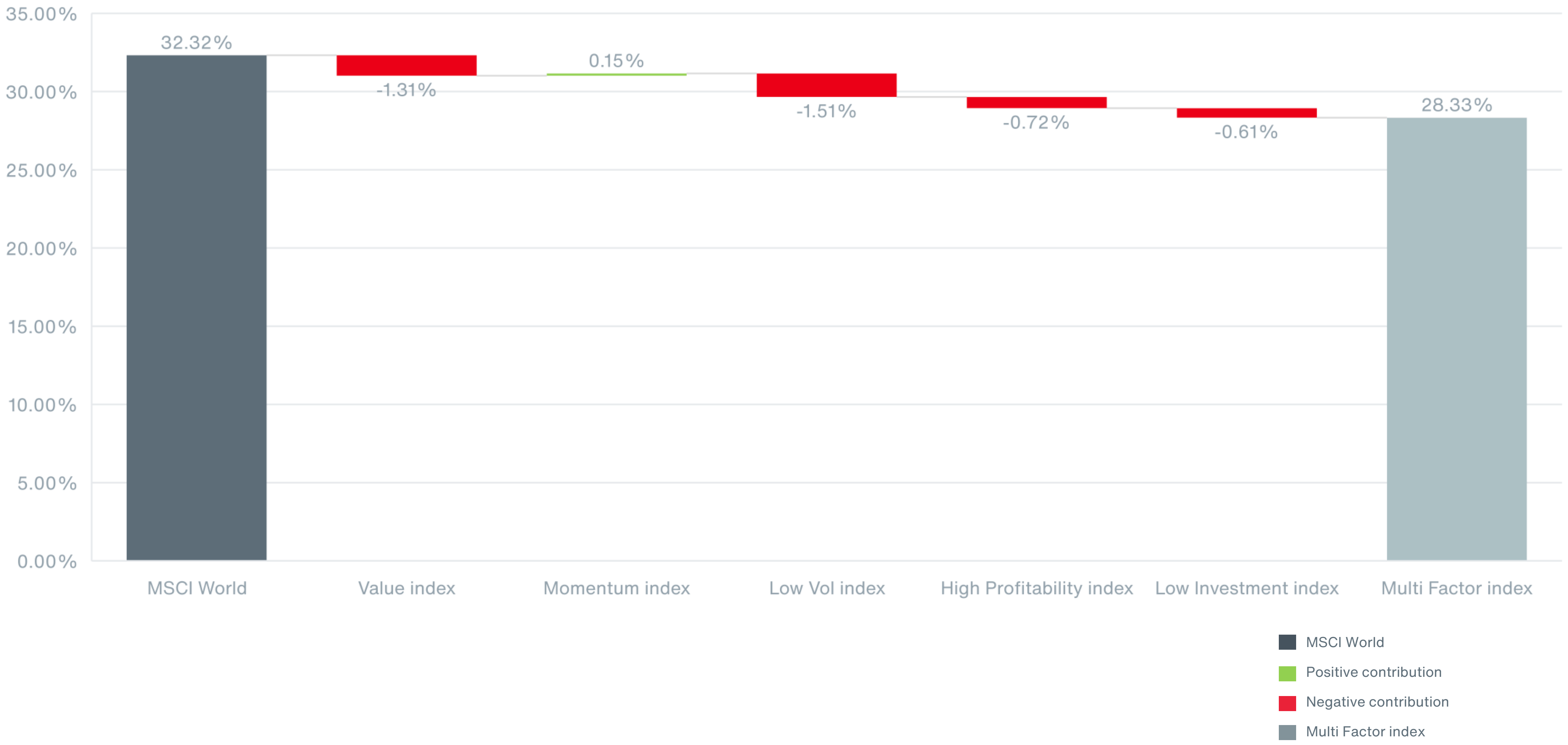
Performance attribution – Scibeta Multi-factor benchmark

YTD – As of September 30, 2024



Performance attribution – Scibeta Multi-factor benchmark

1 Year – As of September 30, 2024

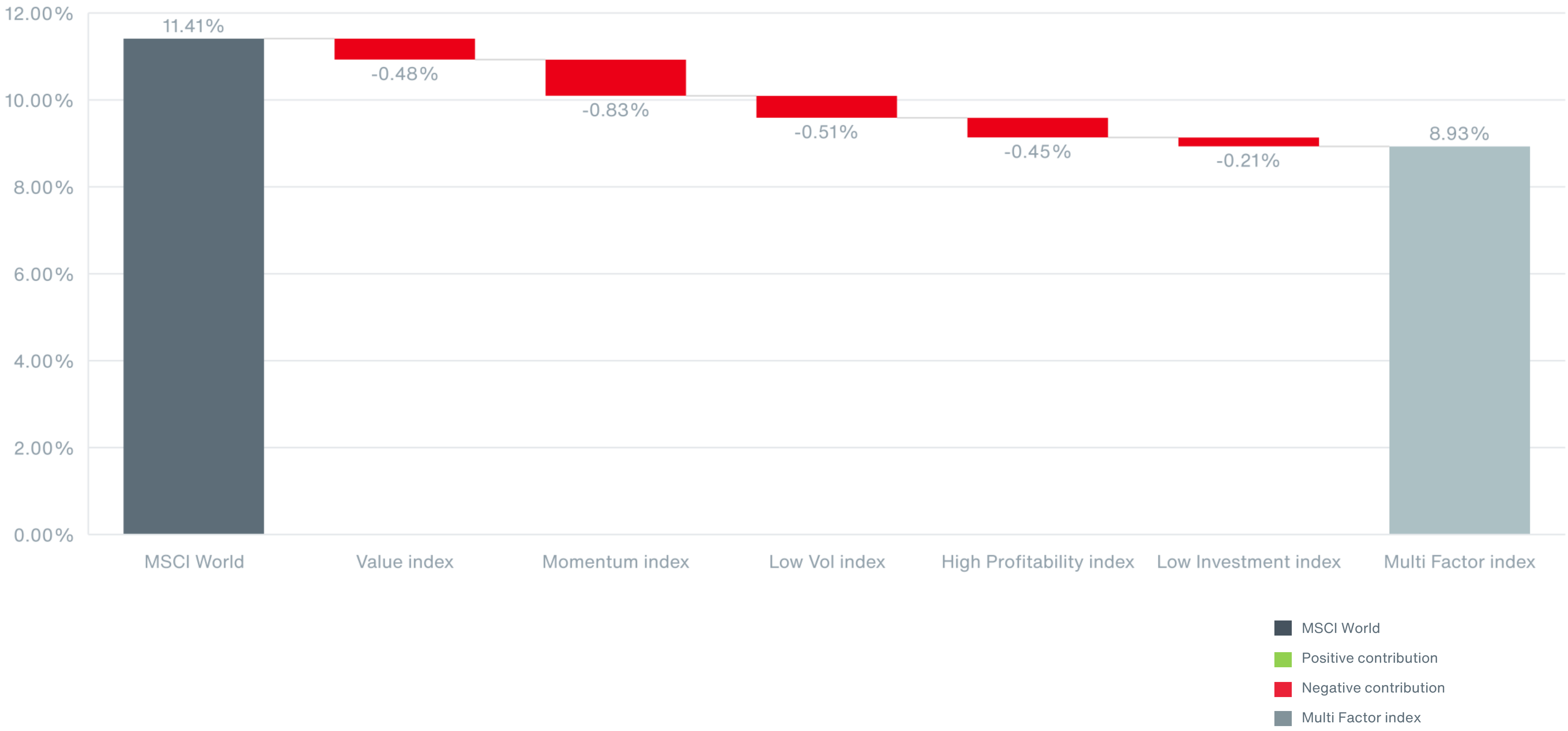


Performance attribution – Scibeta Multi-factor benchmark

2 Year – As of September 30, 2024

Performance attribution – Scibeta Multi-factor benchmark

3 Year – As of September 30, 2024



Performance attribution – Scibeta Multi-factor benchmark

Since Inception* – As of September 30, 2024

- The since inception date is Jan.06, 2021

4

Appendix

Asset Allocation Views

Key Issues for Q4 2024

Political, geopolitical and fiscal risks are on the rise.

U.S. growth looks robust and global recession risks look to be receding, but we think that a Republican clean sweep could see very big fiscal deficits. Lower corporate tax rates should boost U.S. markets, but a risk of higher yields means that a bull market isn't certain.

Are profit expectations for 2025/26 too high?

Headline earnings per share ended up lower in 2023 than 2022, and although analysts have cut 2024 expectations, they should still deliver 8% growth. They're expecting a huge bounce in 2025 to 14% which we think looks tricky to achieve.

Are we through the worst of the volatility shock?

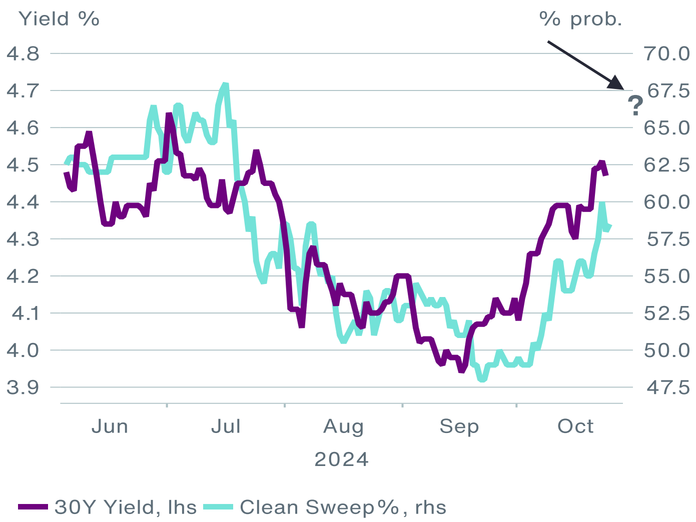
We flagged the likely pick-up in volatility in Q3 and we anticipate that the U.S. elections extend this into the early part of Q4. We expect opportunities to present themselves in government bonds.

Further information. Watch the Investment Outlook video.

Our Thoughts

Political risks come to the fore.

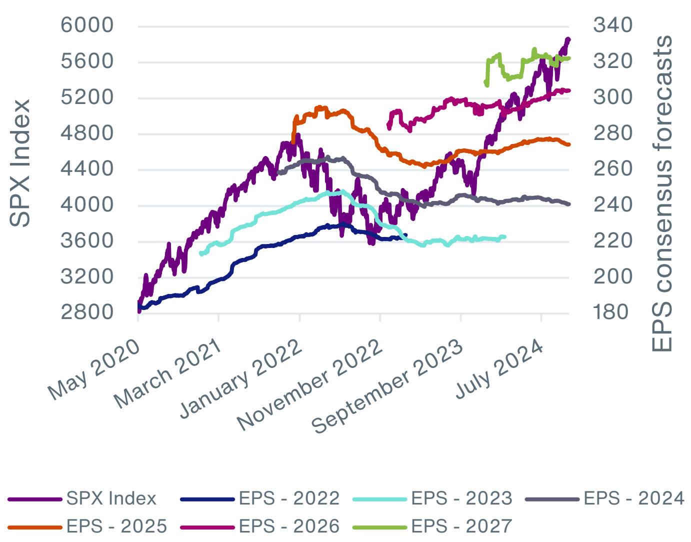
Rising budget deficits, a possible U.S. debt ceiling stand-off and the U.S. election push yields higher



Source: Bloomberg

Are 2024-27 earnings per share expectations too high?

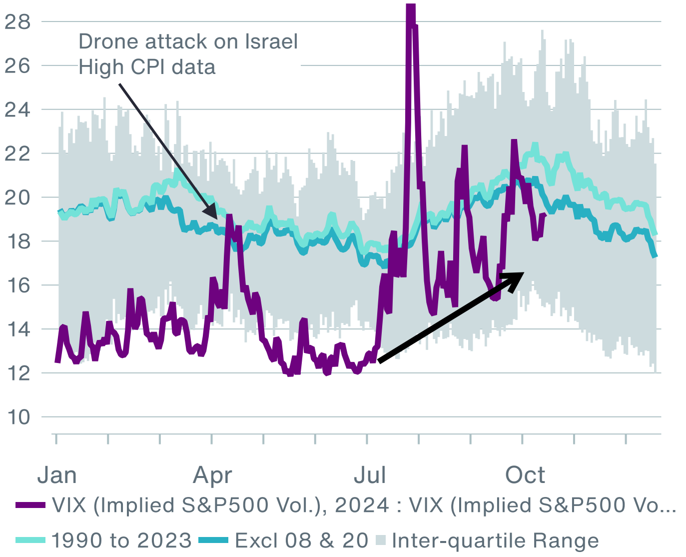
Lofty earnings estimates suggest U.S. equity are currently priced with little room for error, with limited potential upside versus downside risk



Source: IMF

Are we through the worst of the volatility shock?

VIX tends to be higher in the Autumn – a trend which we think will be accentuated by U.S. election



Source: CBOE, Macrobond

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How Should Portfolios be Positioned vs. Benchmarks?

With minimal dislocations in markets, now is not the time to deviate significantly from benchmarks. However, we think liquid alternatives offer better risk-adjusted returns than traditional equity and credit exposures.

Volatility

We think the excess return available on both equities and traditional credit is poor at the moment and therefore suggest running slightly less risk than target.

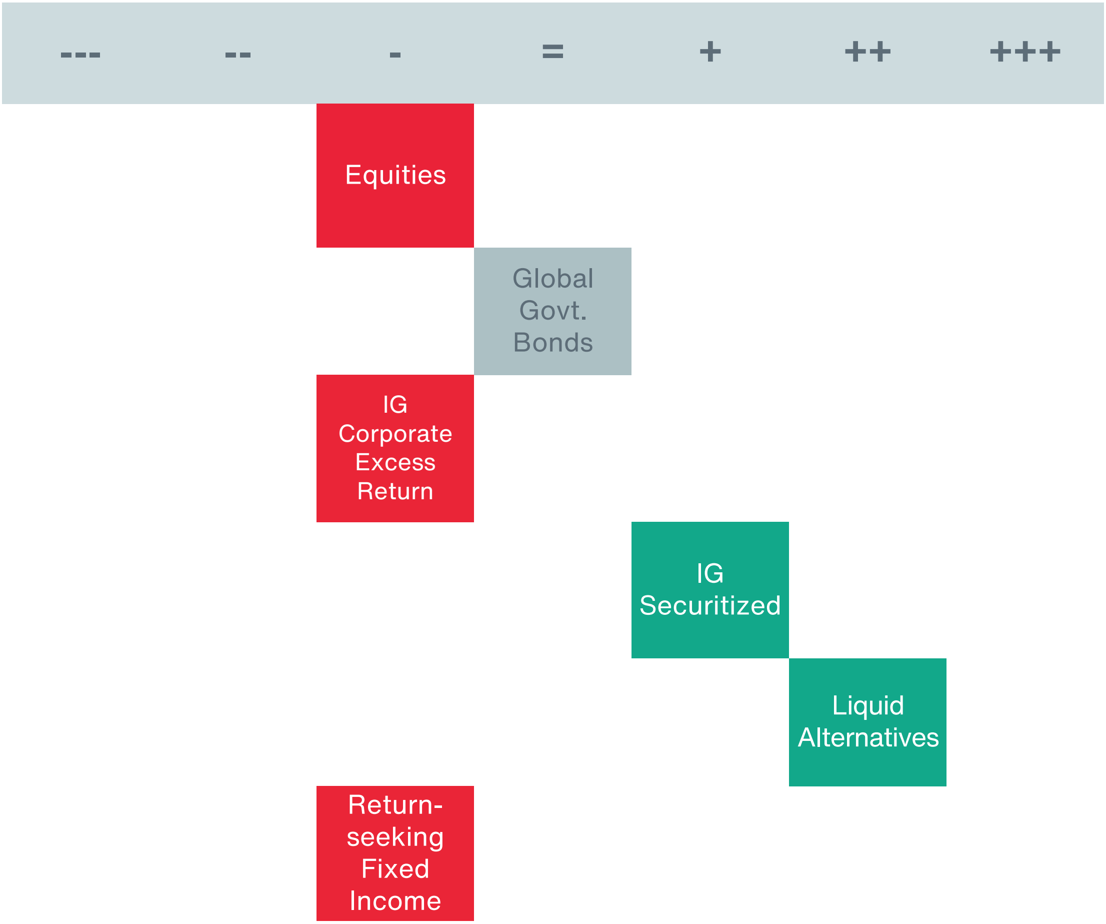
Return

We suggest tilting equity exposures into higher-returning alternatives such as Insurance Linked Securities (ILS). Their low correlation to equities helps diversify equity risk, but we expect to give similar returns at a medium-term horizon. Although asset-backed securities (ABS) have outperformed, we think that they remain attractive as they have similar levels of carry but with lower levels of credit spread duration, so they will be less hit if we see spread widening.

Duration

We expect yields to be volatile. We think that there is relative value in parts of the curve but would keep overall duration close to target.

Cross Asset Views



Equities underweights recommended to fund investments in other high return assets

Small underweights in equities to finance other high return assets such as Insurance Linked Securities, we would look to diversify away further from equities if there is a post-election rally

Yields are likely to be choppy, but range bound

Inflation normalizing and policy rates starting to be cut will help lower yields. However, continued high issuance from large fiscal deficits and resilient growth will likely counteract these forces.

Credit spreads are too tight in traditional IG – we prefer more carry and lower spread duration in IG Securitized Credit

We think risk-adjusted spreads are still better in IG Securitized Credit and also has a lower credit spread duration, so it is less exposed to spread widening.

Liquid alternatives offer better prospective returns than return-seeking fixed income

We like opportunities in diversifying hedge funds and insurance linked securities are again offering attractive total yields.

Relative Asset Class Views*

Regional views

---	--	-	=	+	++	+++
			USA			
			Canada			
			EAFE			
				Emerging		

Core Fixed Income

---	--	-	=	+	++	+++
			Federal			
		Corporate				
			Provincial			

Alternatives

---	--	-	=	+	++	+++
		Active commodities				
				Alternative Risk Premia		
						Insurance-linked securities
						Diversifying hedge funds
		Return seeking hedge funds				

Factor views

---	--	-	=	+	++	+++
		Low Vol.				
			Quality			
				Value		
			Growth			

Credit

---	--	-	=	+	++	+++
		USD EMD				
			Local EMD			
		Bank Loans				
				IG Securitized		
		US High Yield				

Currency views vs CAD

---	--	-	=	+	++	+++
			EUR			
			USD			
					JPY	
				EM		

*Asset class views are relative to others within the asset class and not relative to other asset types. There should be no read-across from equities to credit, for example.

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.