TORONTO

REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Investment Manager Updates

Date: November 25, 2024
To: Toronto Investment Board
From: Director, Capital Markets
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report involves the security of property belonging to the City of Toronto and the Toronto Investment Board.

SUMMARY

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

Previously reported Fiera Capital Corporation (Fiera) has officially closed the Fiera Global Equity Common Contractual Fund (Fiera CCF), and all the City of Toronto fund assets have been transferred in-kind to a new Canadian pooled fund structure called the Fiera Global Equity Focused Pooled Fund (Fiera GEF). Capital Markets staff were notified by Fiera on September 11, 2024 that the trade was completed and settled.

The CBRE Global Alpha Fund changed its portfolio manager in September 2024. The current portfolio manager, Elizabeth Troni, transitioned to manage the CBRE US Core Partners Fund, leading to the appointment of Lucy Fletcher as the new portfolio manager for the CBRE Global Alpha Fund. The new portfolio manager brings extensive global experience and a strong track record in portfolio management to the fund. Further details can be found in Confidential Attachment 1 of this report.

City staff continued to transfer funds from the Short-Term Fund (funds internally managed) to the Long-Term Fund (funds managed by the Board). The fourth and final transfer of $500 million was completed in October 2024 for the purposes of re-allocating short-term focused investments to a longer-term investment horizon. A summary of the transfer is outlined in this report.

An update of the current funding status of Long-Term Fund (LTF) and Sinking Fund (SF) as at October 31, 2024 is provided in Attachment 2 of this report.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. The Toronto Investment Board direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains information that involves the security of property belonging to the City and the Toronto Investment Board.

FINANCIAL IMPACT

There is no financial impact to the City's operating or capital budgets because of this report.

DECISION HISTORY

At its meeting on September 26, 2024, the Toronto Investment Board received the report (September 8, 2024) from the Director, Capital Markets, Office of the Chief Financial Officer and Treasurer for information.
https://secure.toronto.ca/council/agenda-item.do?item=2024.IB8.5

At its meeting on June 20, 2024, the Toronto Investment Board authorized, after review by the external legal counsel and tax advisor, the Chair, or the Vice Chair of the Investment Board to execute the necessary documentation for the Fiera Capital Common Contractual Fund on behalf of the Investment Board.
https://secure.toronto.ca/council/agenda-item.do?item=2024.IB7.4

At its meeting on April 3, 2024, the Toronto Investment Board received the report (March 19, 2024) from the Director, Capital Markets, Office of the Chief Financial Officer and Treasurer for information.
https://secure.toronto.ca/council/agenda-item.do?item=2024.IB6.3

At its meeting on December 11, 2023, the Toronto Investment Board received the report (November 23, 2023) from the Director, Capital Markets, Office of the Chief Financial Officer and Treasurer for information.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB5.3

At its meeting on September 29, 2023, the Toronto Investment Board received the report (September 7, 2023) from the Director, Capital Markets, Office of the Chief Financial Officer and Treasurer for information.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB4.3

At its meeting on June 19, 2022, the Toronto Investment Board authorized the Chair or the Vice Chair of the Investment Board to execute amended agreements for the Oakmark Global Pooled Fund II on behalf of the Investment Board.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB3.3

At its meeting on March 16, 2022, the Toronto Investment Board received a report for information from the Director, Capital Markets with regards to various updates to the investment managers and other on-going negotiations.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB2.6

At its meeting on December 16, 2022, the Toronto Investment Board received a report for information from the Director, Capital Markets with regards to various updates to the investment managers and other on-going negotiations.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB1.3

At its meeting on September 23, 2022, the Toronto Investment Board received a report for information from the Director, Capital Markets with regards to various updates to the investment managers and other on-going negotiations.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.IB17.3

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.
https://secure.toronto.ca/council/agenda-item.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

COMMENTS

Fiera Capital - Fiera Capital Common Contractual Fund (Fiera CCF) in now the Fiera Global Equity Focused Pooled Fund (Fiera GEF)

Previously reported Fiera Capital Corporation (Fiera) has officially closed the Fiera Global Equity Common Contractual Fund (Fiera CCF), and all the City of Toronto fund assets have been transferred in-kind to a new Canadian pooled fund structure called the Fiera Global Equity Focused Pooled Fund (Fiera GEF). Capital Markets staff were notified by Fiera on September 11, 2024 that the trade was completed and settled.

The new fund, like the old fund, has the following attributes: (i) employ a concentrated global equity investment strategy; and (ii) have PineStone Asset Management appointed as sub-advisor to provide investment advisory and portfolio management services. Fiera states that the investment strategy of the new fund and the old fund are identical. To affect the investment into the new fund, the City executed a Letter of Direction whereby the City directed Fiera to transfer all securities currently in the old fund to the new fund through an in-kind transaction, with any residual cash being invested on the City's behalf into the new fund. In effect, the City's security holding exposure will not be affected by this transaction. Lastly, the Letter of Direction states that an investment by the City in the new fund will be pursuant to and in accordance with the Investment Management Agreement currently in place between the City and Fiera dated April 23, 2019.

The City's external legal advisor is of the view that there are no risks prohibitive to the City entering into the transaction. Furthermore, the City's tax advisor does not have any U.S. tax concerns with respect to the transaction or an investment in the new fund.

CBRE - Fund Portfolio Manager Change

In September 2024, Elizabeth Troni, the fund manager for CBRE Global Alpha, transitioned to manage the CBRE US Core Partners Fund, leading to the appointment of Lucy Fletcher as the new portfolio manager for CBRE Global Alpha. Ms. Fletcher, who previously held senior roles at QuadReal Property Group, JLL, and Bank of America Merrill Lynch, brings extensive global experience and a strong track record in portfolio management. Fletcher previously served as Managing Director and Global Head of Portfolio Management at QuadReal Property Group, where she was responsible for portfolio construction, strategy, risk and portfolio analysis. Her contributions helped grow QuadReal’s global property assets under management to $78 billion.

As the new portfolio manager is still familiarizing herself with the portfolio, she does not intend to implement significant strategy changes at this time. She has met with local investment teams at CBRE with the goal of more closely integrating them into the investment process and to provide clarity over investments the fund is looking to make to enhance origination efforts. She has also committed to enhancing investor calls, focusing more on current investment details and performance outlook.

Despite the leadership change, CBRE's strong platform and experienced team provide confidence in the fund's performance, with ongoing evaluation of new portfolio manager's impact.

Further details can be found in Aon's InTotal report for CBRE Global Alpha fund for September 2024 in Confidential Attachment 1.

Flow of Funds - Long-Term Fund (LTF)

The fourth and final transfer of $500 million from the STF to the LTF was conducted in October 2024 for the purposes of long-term investment and rebalancing the portfolio. Transfers were made to both fixed income and global equity mandates. Table 1 further details the allocation of the transfers.

This final transfer for 2024 follows the three previous transfers of $500 million each during January, April and July as reported previously. Total planned transfers into the LTF from the STF in the amount of $2 billion for 2024 is now completed.

Table 1: Transfers from STF to LTF in October 2024

From	To	Investment Manager	Date	Amount	Purpose
STF	LTF	CC&L (Fixed Income)	Oct 2024	$155 million	Rebalancing
		Leith Wheeler (Fixed Income)	Oct 2024	$155 million	Rebalancing
		LGIM (Equity)	Oct 2024	$94 million	Rebalancing
		Pier 21/CW (Equity)	Oct 2024	$32 million	Rebalancing
		Oakmark (Equity)	Oct 2024	$32 million	Rebalancing
		Fiera Capital (Equity)	Oct 2024	$32 million	Rebalancing
Total				**$500 million**	

Fund Current Asset Mix

The Current Funding Status of Long-Term Fund (LTF) and Sinking Fund (SF) as of October 31, 2024 is detailed in Attachment 2. This document shows the market value of the current allocation by asset category and categorizes each of these by investment manager in each portfolio. This attachment also includes the available cash for each portfolio.

All asset class allocations are within the limits of the Council-approved Investment Policy.

CONTACT

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SIGNATURE

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Director, Capital Markets

ATTACHMENTS

Confidential Attachment 1 - Aon - CBRE Global Alpha Fund - InTotal Report-September 2024

Attachment 2 - Current Funding Status of the LTF and the SF (October 31, 2024)