REPORT FOR ACTION

Investment Manager and Other Updates

Date: February 27, 2025
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 investment managers and related parties. It includes changes to the investment manager mandates, contracts, and funding along with other related items.

Further to the confidential information provided at the Board's last meeting with respect to the changes at CBRE Global Alpha Fund, Aon has provided a Flash Report from the Townsend Group (which is part of the Aon group of companies). The report is a summary of recent personnel changes at CBRE Investment Management with Townsend continuing to recommend the CBRE real estate funds as a "buy". This includes the CBRE Global Alpha Fund which has been contracted by the Board. Further details are listed in Attachment 1.

Global equity partner Pier 21 Asset Management had a significant event occur with the passing of their founder David M. Star. A Business Continuity Plan had been developed and details can be found in Attachment 2. It is important to note that Pier 21 represents the investment management firm C WorldWide (CWW) in Canada and that the funds invested by the Board continue to be held and managed by CWW. City staff have met with the new president and CEO of Pier 21 and expect no changes to service going forward.

City staff continue to re-balance the Sinking Fund and transfer funds for debt repayment at maturity. In addition, funding for CBRE, a manager in the Real Assets category was completed. A summary of the transfers completed after October 31, 2024, are outlined in this report.

An update of the current funding status of Long-Term Fund (LTF) and Sinking Fund (SF) as at January 31, 2025, is provided in Attachment 3 of this report.

RECOMMENDATIONS

The Director, Capital Markets recommends that 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 December 12, 2024, the Toronto Investment Board received the report (November 25, 2024) with Confidential Attachment with details on the CBRE Global Alpha Fund 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.IB9.5

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

CBRE Investment Management - Personnel Changes

The Board's investment consultant, Aon, has provided a Flash Report (Attachment 1). The report is from an affiliated company (Townsend Group) and is a summary of recent personnel changes at CBRE Investment Management with Townsend continuing to recommend the CBRE real estate funds as a "buy". This includes the CBRE Global Alpha Fund which has been contracted by the Board.

Further to the information presented at the last Board meeting regarding the changes to the lead portfolio manager of the CBRE Global Alpha Fund, there have also been changes to the CEO and CIO positions for CBRE Investment Management which the

Townsend Group believes will have no immediate impact to investment strategy however will continue to monitor this transition.

Pier 21 - Passing of David M. Star and Business Continuity Plan

City staff were notified in late January that David M. Star, founder of Pier 21 Asset Management (Pier 21), had passed away. Under his stewardship, Pier 21 was one of the first global equity managers the Toronto Investment Board and the City of Toronto had contracted under the new municipal investment regulations. From an administrative viewpoint, David was always a pleasure to deal with and provided top level service which included making presentations to the Board on an annual basis.

The firm has a Business Continuity Plan had been developed and details can be found in Attachment 2. It is important to note that Pier 21 represents the investment management firm C WorldWide (CWW) in Canada and that the funds invested by the Board continue to be held and managed by CWW. City staff have met with the new president and CEO of Pier 21 (Michael Peck) and expect no changes to service going forward. A subsequent meeting with the Board's investment consultant (Aon) confirmed that all relationships and service levels regarding this investment manager will remain intact.

Flow of Funds - Sinking Fund (SF)

The Sinking Fund is a sole-purpose portfolio that is used to retire the City of Toronto's public debt issues. The SF receives regular contributions and withdrawals according to by-laws set up when a debt issue is established. As cash contributions are received over time, the SF is re-balanced as necessary to maintain the target asset mix. In November 2024, a total of $60 million in cash was transferred to re-balance the Fixed Income portfolios. Table 1 further details the allocation of the transfers.

In December 2024, an additional $59 million USD in cash was used to fund the Real Asset category for investment. Table 2 further details the allocation of these funds.

In February 2025, there was a $300 million City of Toronto bond maturity. It was funded by $213 million from fixed income manager sale proceeds and $87 million from cash holdings.

Table 1: Transfers to rebalance the Sinking Fund in November 2024

Investment Manager	Date	Amount	Purpose
Addenda (Fixed Income)	November 2024	$30 million	Rebalancing
Fiera LDI (Fixed Income)	November 2024	$30 million	Rebalancing
Total		$60 million	

Table 2: SF Investments - Funding of Real Asset Investment

Investment Manager	Date	Amount	Purpose
CBRE (Real Assets)	December 2024	$59 million USD	Investment

Table 3: Transfers for repayment of Sinking Fund debt in February 2025 (Outflows)

Investment Manager	Date	Amount	Purpose
Addenda (Fixed Income)	February 2025	$106.5 million	Debt Repayment
Fiera LDI (Fixed Income)	February 2025	$106.5 million	Debt Repayment
Total		**$213 million**	

Flow of Funds - Long-Term Fund (LTF)

In December 2024, $126 million USD in cash was used to fund the Real Asset category for investment (in addition to the $59 million USD SF funding described above). Table 4 further details the allocation of these funds.

Table 4: LTF Investments - Funding of Real Asset Investment

From	To	Investment Manager	Date	Amount	Purpose
TIB -Short Term Fund	LTF	CBRE (Real Assets)	December 2024	$126 million USD	Investment

Current Asset Mix

The Current Funding Status of Long-Term Fund (LTF) and Sinking Fund (SF) as at January 31, 2025 is shown in Attachment 3. 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 weights are within the limits on the Council-approved Investment Policy except Sinking Fund cash due to debt maturity repayment of $300 million on February 6, 2025.

CONTACT

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

SIGNATURE

Randy LeClair
Director, Capital Markets

ATTACHMENTS

Attachment 1 - Flash Report - CBRE Management Update (February 2025)
Attachment 2 - Business Continuity Plan at Pier 21 (February 14, 2025)
Attachment 3 - Current Funding Status of the LTF and the SF (January 31, 2025)