FIRST QUARTER 2025 REVIEW

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June 24, 2025

CITY OF TORONTO INVESTMENT BOARD

EXECUTIVE SUMMARY

CURRENT ENVIRONMENT

- Tariffs present material risk: a high degree of uncertainty, but damage to real economy may already be done
- Fiscal policy will be positive offset to tariffs
- Inflation remains a key risk
- Monetary policymakers challenged to provide support

PERFORMANCE

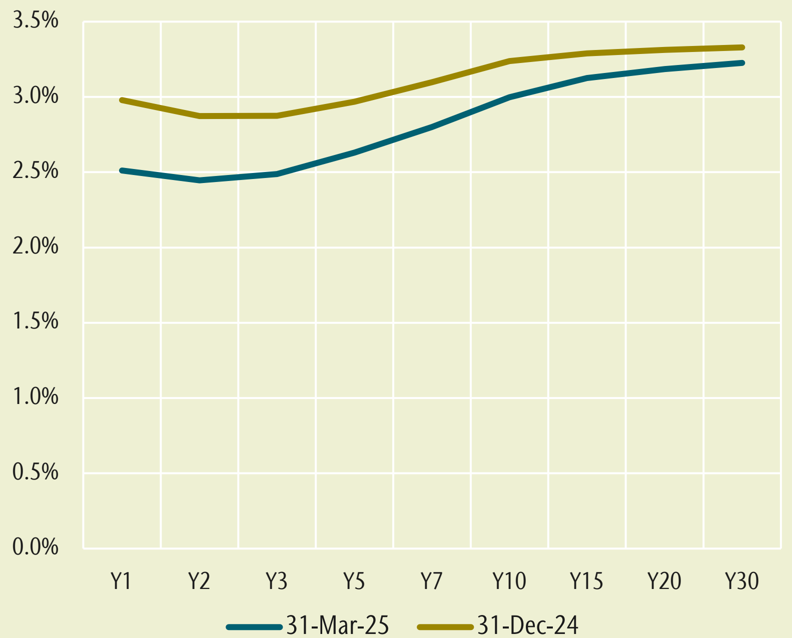
- Longer term yields rising, spreads compressing
- Added value in 2024 arising from each of interest rate decisions, sector and security selection
- Performance in Q1 2025 in line with benchmark

POSITIONING

- Yield curve: steeper
- Sector: outlook is more balanced

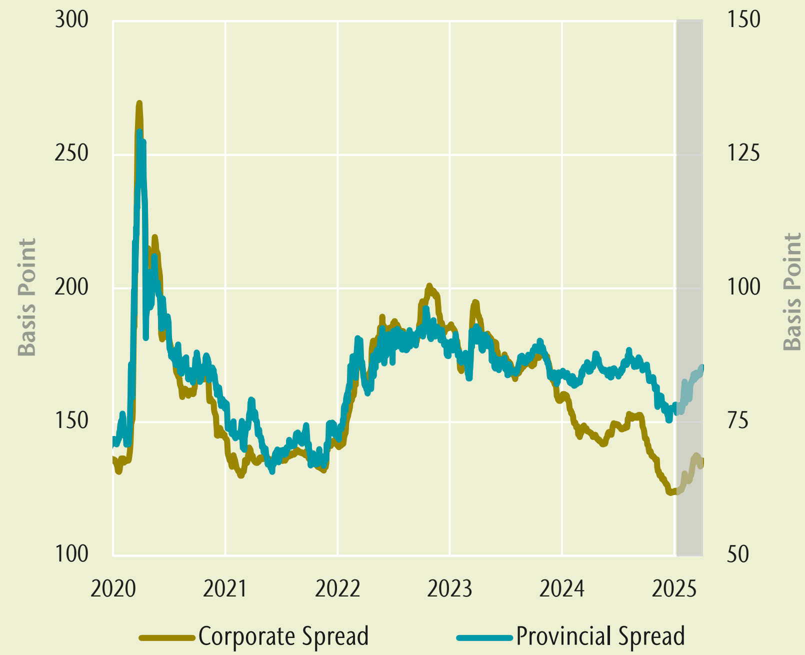
INTEREST RATE REVIEW
As of March 31, 2025

Change in Canada Yield Curve



Source: Bank of Canada, Macrobond

Credit Spreads



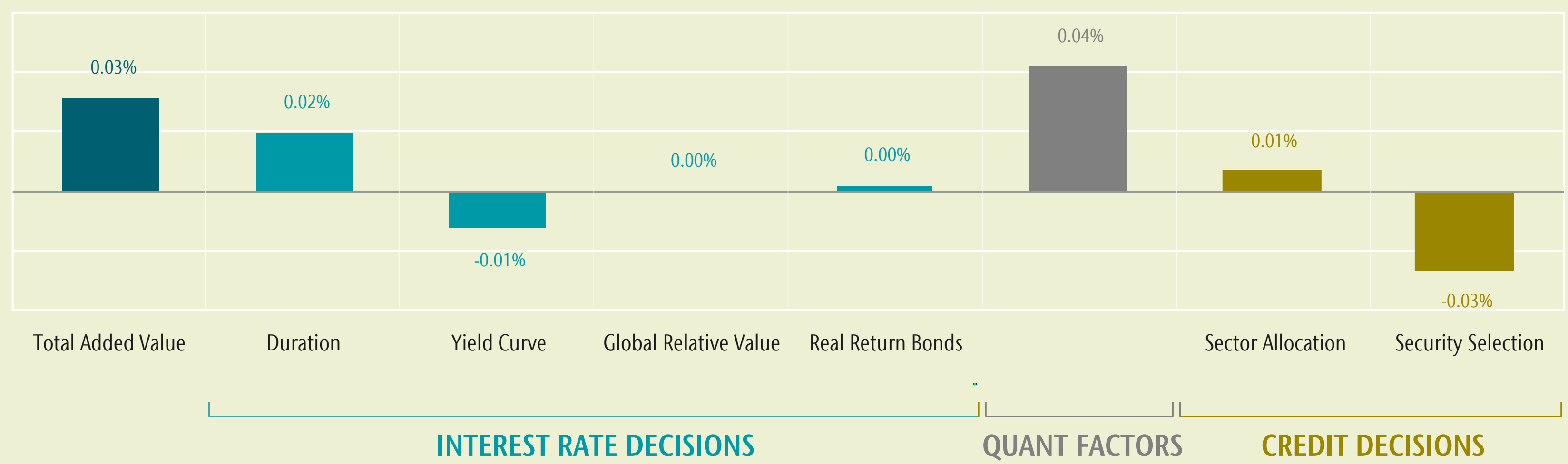
Source: FTSE Global Debt Capital Markets Inc., Connor, Clark & Lunn Investment Management Ltd.
Shaded area denotes Q1 2025.

PERFORMANCE AND ATTRIBUTION

	2025 (%)	Annualized Returns to March 31, 2025 (%)			
	QTD	1 YR	3 YR	5 YR	Since Inception
City of Toronto	**2.05**	**8.02**	**2.91**	**1.53**	**1.62**
Benchmark *	2.02	7.65	2.50	0.88	1.10
Added Value	**0.03**	**0.37**	**0.41**	**0.65**	**0.53**

* 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.

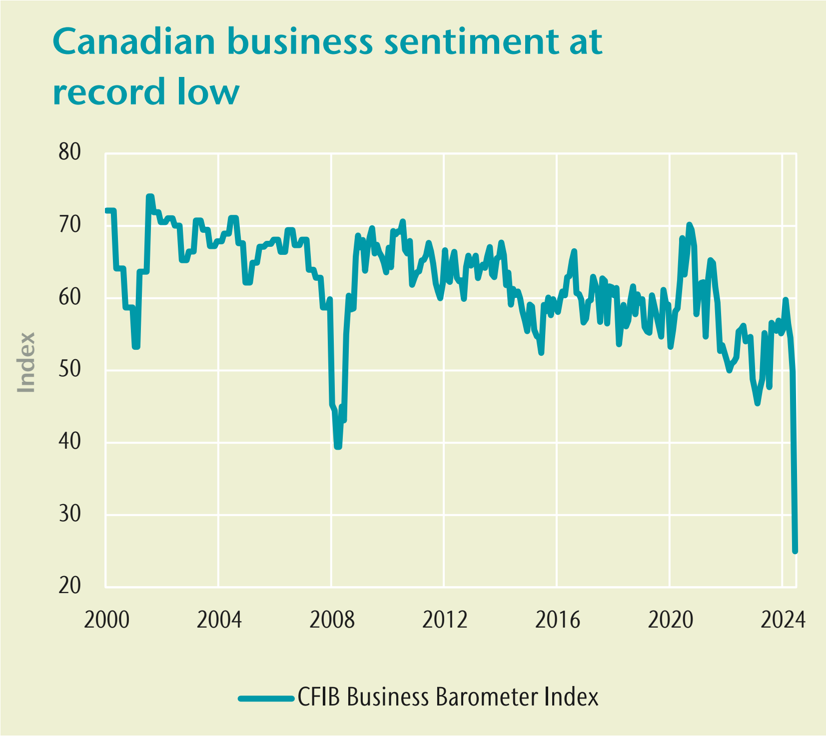
Q1 Attribution



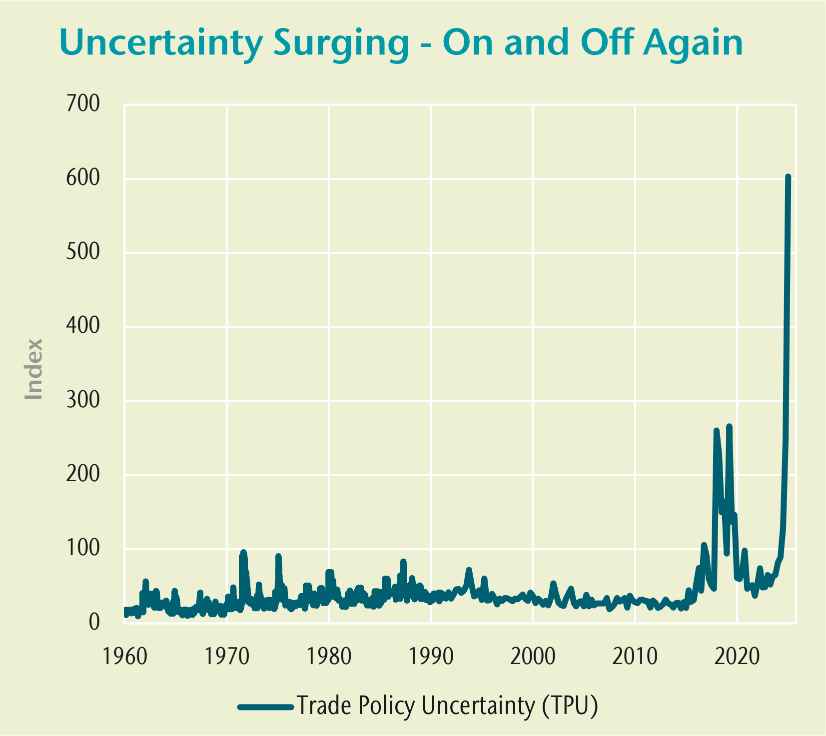
Source: Connor, Clark & Lunn Financial Group Ltd.

ECONOMIC AND RATES OUTLOOK

TARIFFS PRESENT MEANINGFUL RISK



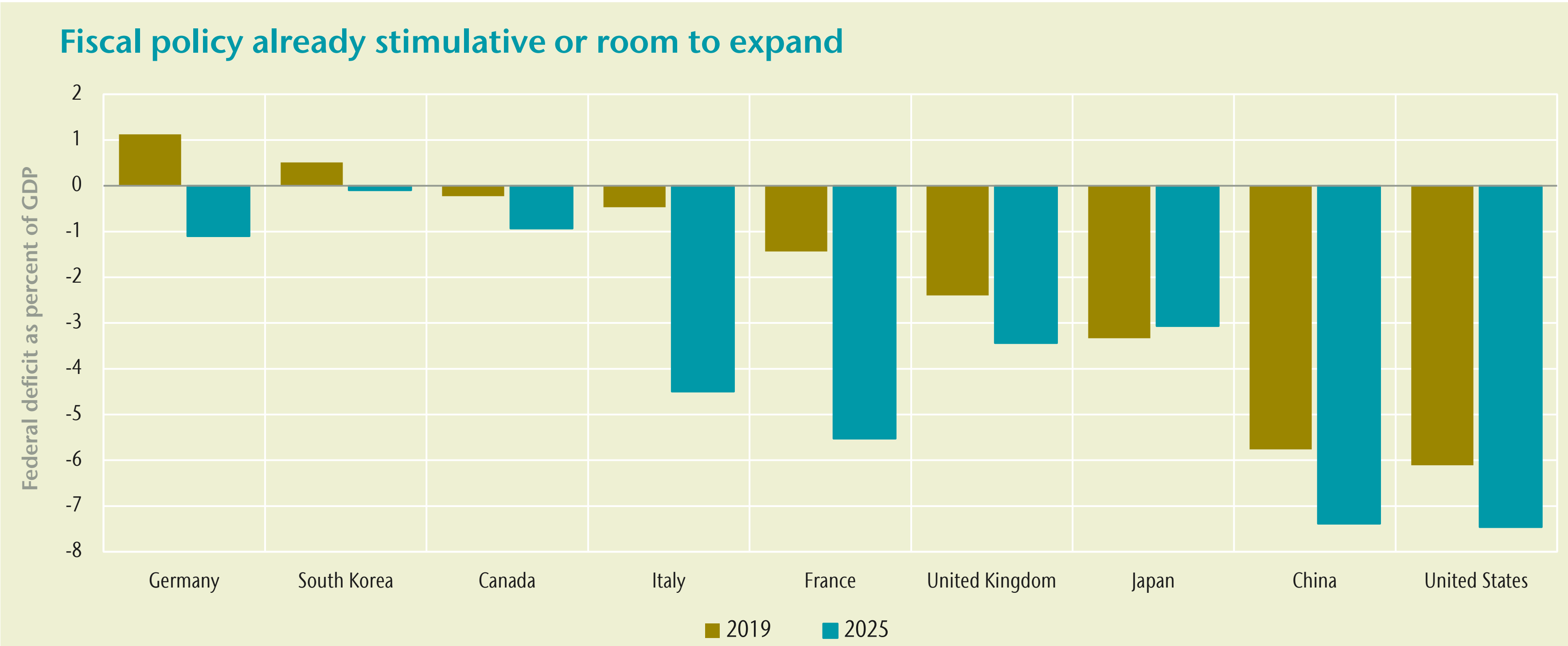
Source: CFIB, Macrobond



Source: Matteo Iacoviello, CC&L Investment Management Ltd.

Base case - mild or targeted tariffs

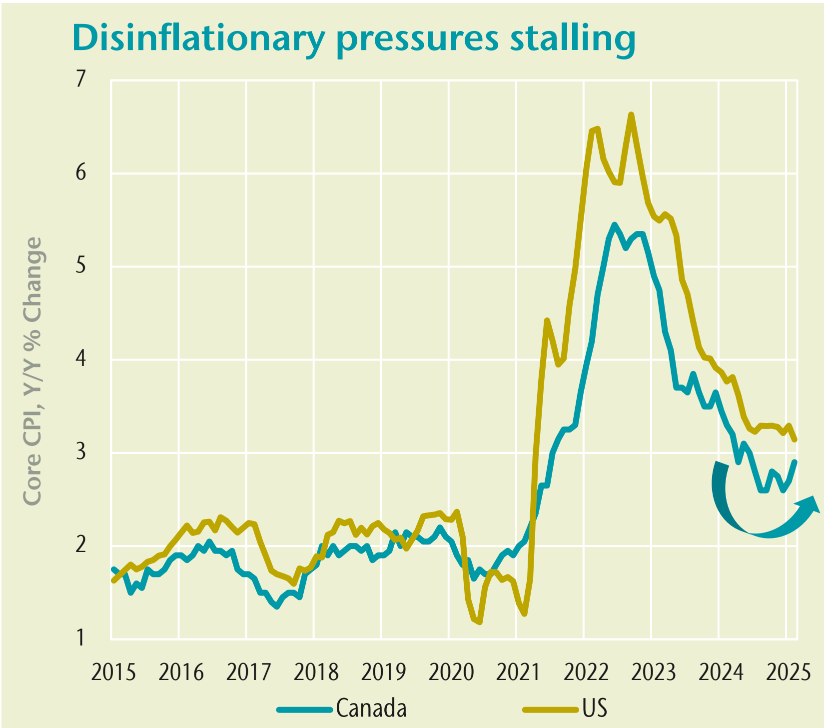
FISCAL POLICY



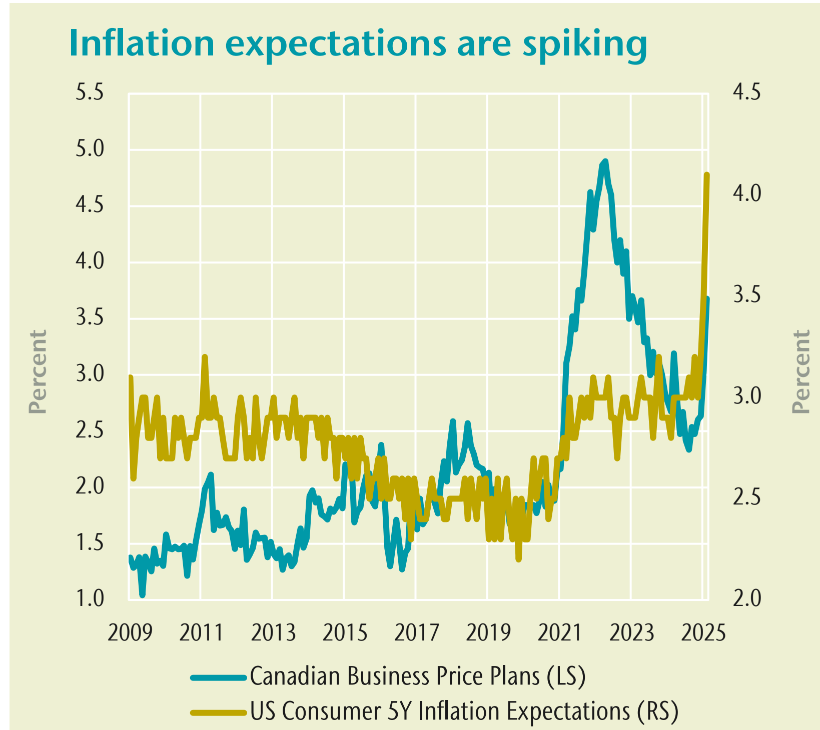
Source: IMF World Economic Outlook, CC&L Investment Management Ltd.. As of Mar 31, 25

- US appears to be drawing concern
- Space is greater in Canada for fiscal support
- There is room – and intent – in many countries to draw on fiscal support

INFLATION REACCELERATING



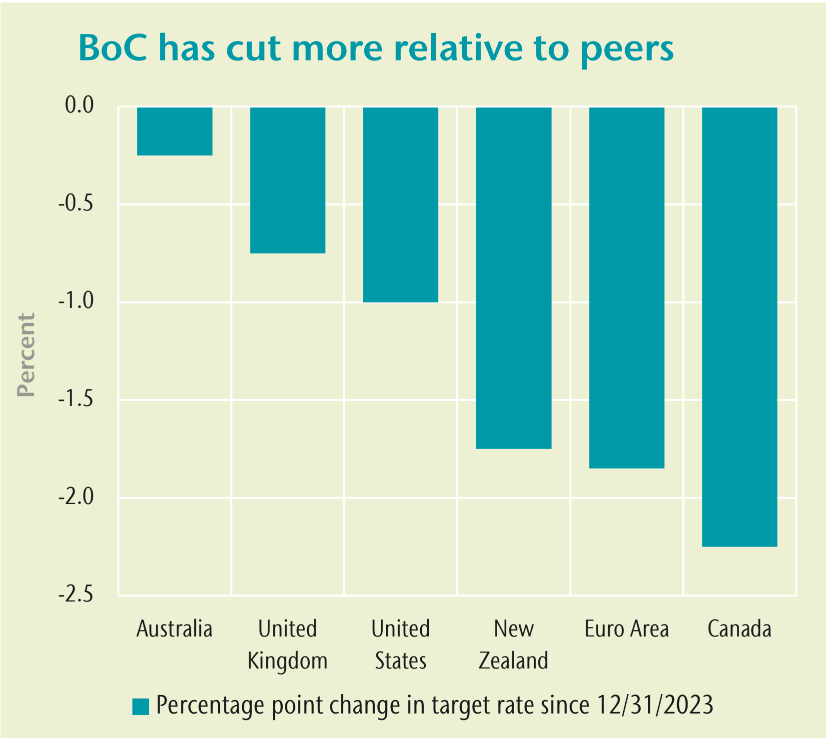
Source: StatsCan, BLS, Macrobond



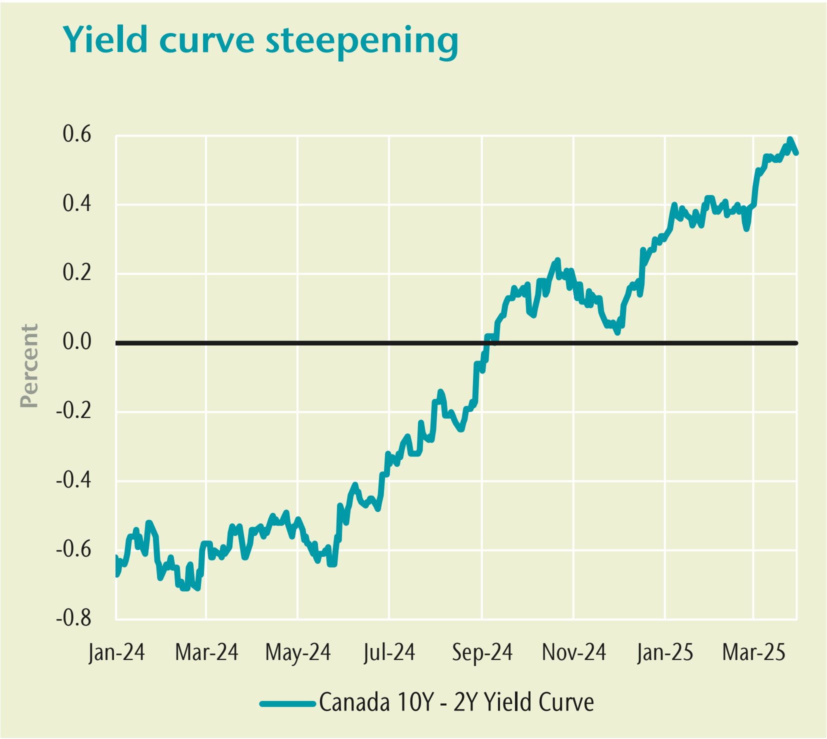
Source: CFIB, U Mich, Macrobond

Rising inflation expectations suggest continued price pressures

BOC APPROACHING END OF EASING CYCLE



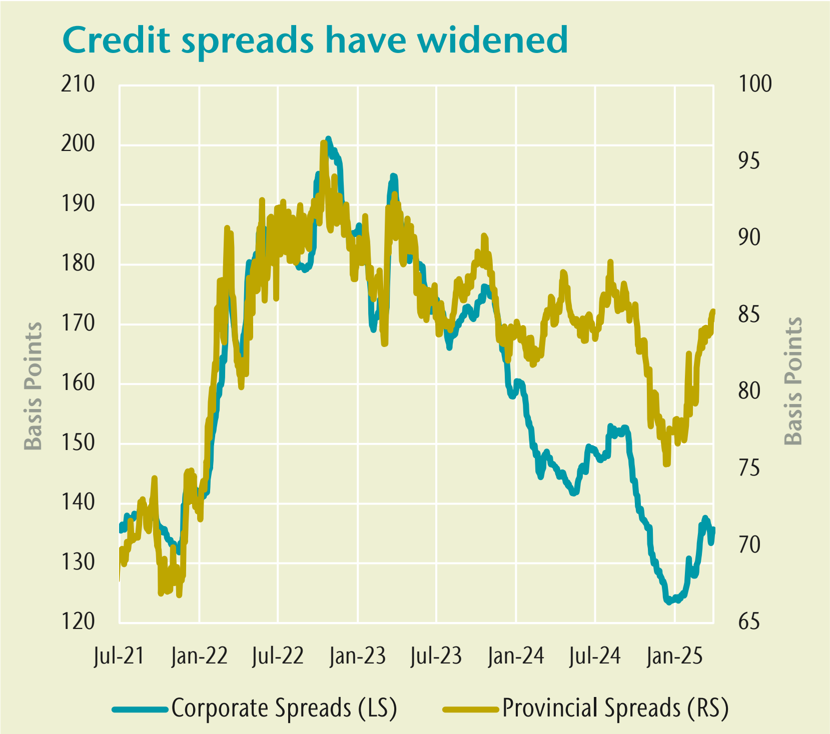
Source: Central banks, Macrobond



Source: Bank of Canada, Macrobond

BoC to limit further easing in the absence of severe tariffs

RISK/REWARD IN CREDIT MORE BALANCED



Source: FTSE Global Debt Capital Markets Inc, CC&L Investment Management

Corporate Security Selection

- Valuations tight but more balanced
- Supply moderating
- Increased weighting in industries where corporate balance sheets have room to delever

Room to add exposure as credit spreads widen, but measured approach

APPENDIX

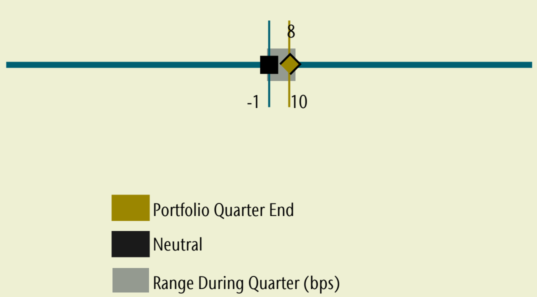
FIXED INCOME STRATEGY

March 31, 2025	Weightings (%) Portfolio	Weightings (%) Benchmark*	Weightings (%) Over/Under	Contribution to Duration** Portfolio	Contribution to Duration** Benchmark*	Contribution to Duration** Over/Under
Sovereign Bonds	18.5	41.1	-22.5	2.2	2.5	-0.4
Provincial Bonds	40.1	34.3	5.8	3.6	3.3	0.4
Corporate Bonds	36.9	24.6	12.3	1.5	1.4	0.1
Corporate AAA/AA	1.2	2.1	-0.9	0.0	0.1	0.0
Corporate A	14.6	11.4	3.2	0.5	0.7	-0.2
Corporate BBB	21.1	11.1	10.0	0.9	0.6	0.3
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***	4.4	0.0	4.4	0.0	0.0	0.0
Total	**100.0**	**100.0**	**0.0**	**7.3**	**7.2**	**0.1**
Average Yield	**3.5%**	**3.3%**	**0.2%**			
Average Term (Years)	**9.9**	**9.9**	**0.0**			
Average Quality	**AA**	**AA**				

*Benchmark: FTSE Canada Universe Bond Index
**Sensitivity measure to change in interest rates
***Cash excluding collateral for derivatives = 4.4%

Duration Exposure

Portfolio Duration Relative to Benchmark

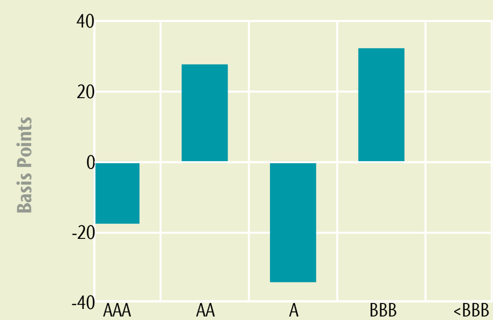


Yield Curve Exposure

Contribution to Duration

Overall Quality Exposure*

Contribution to Duration



* Based on FTSE Canada methodology

Source: Connor, Clark & Lunn Financial Group Ltd.

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