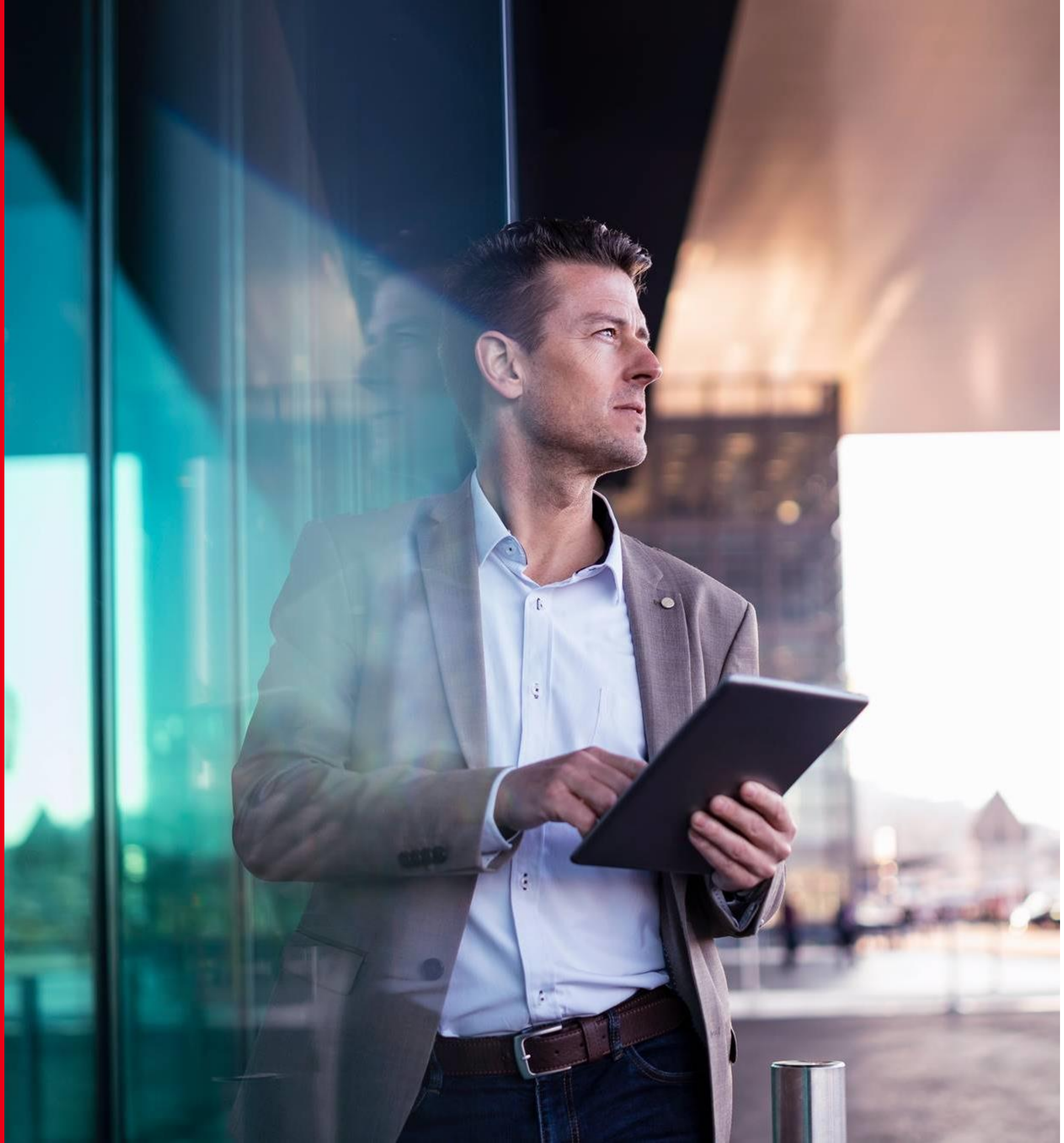


Attachment 1A

Discussion Guide

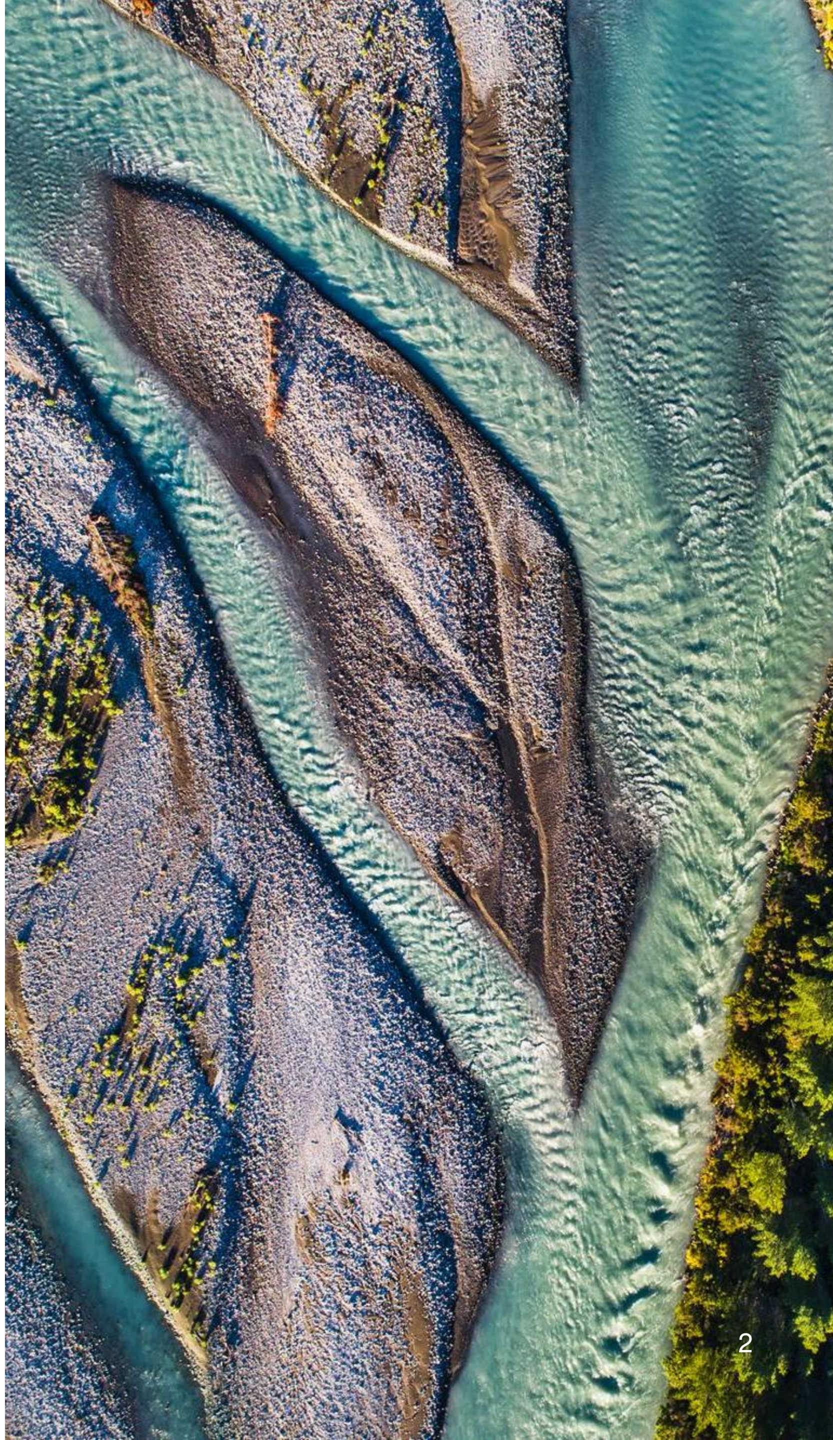
2025 Q2

Prepared for: City of Toronto (Investment Board)

Prepared by: Aon Solutions Canada Inc.

26 September 2025

Agenda



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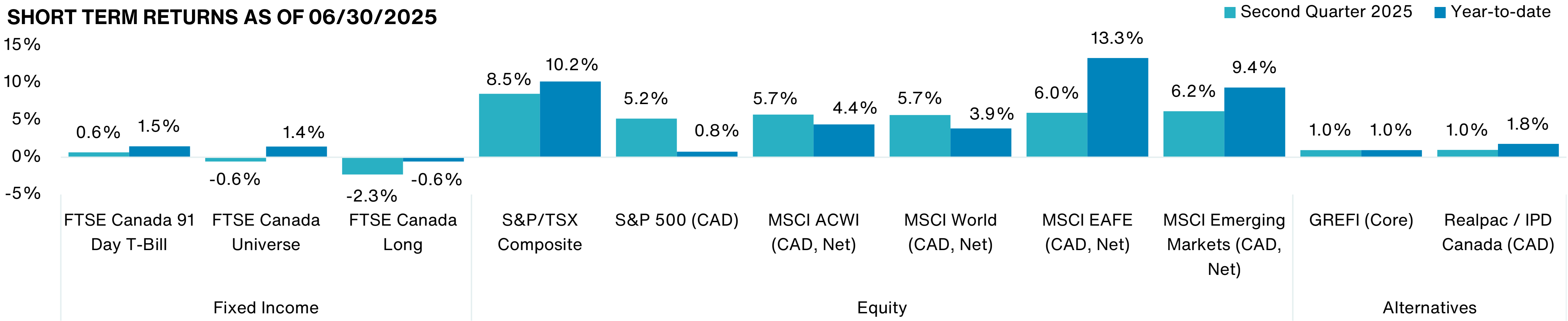
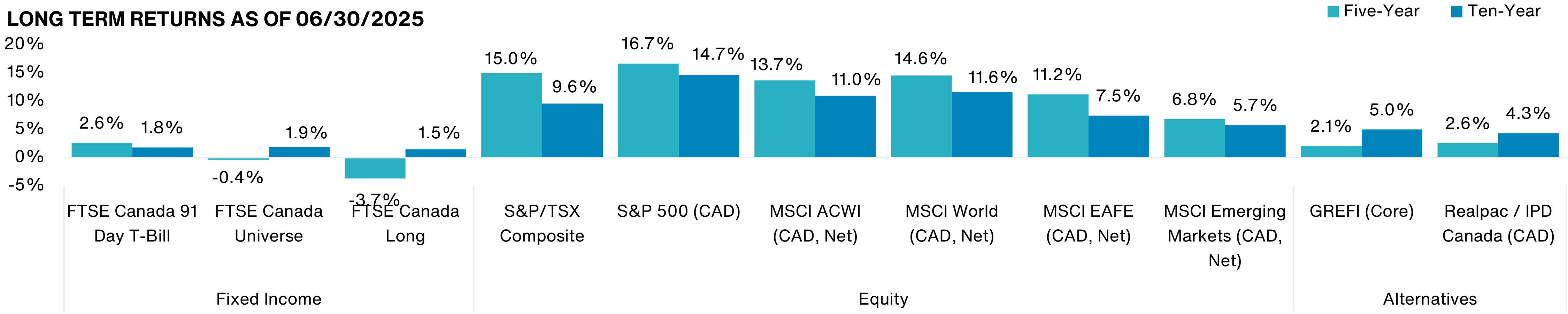
Markets Review

Further information.
Watch the Investment Outlook video – access code: aon!

Capital Markets Overview



Sources: S&P, MSCI, FTSE. Unless it's otherwise stated, gross CAD returns are shown in this report. GREFI is updated as of Q1 2025.



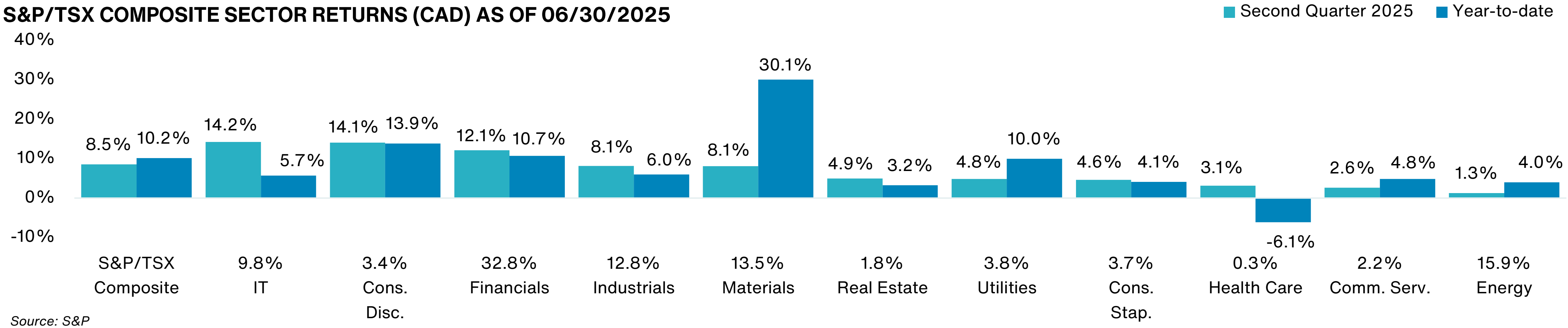
Sources: S&P, MSCI, FTSE. Unless it's otherwise stated, gross CAD returns are shown in this report. GREFI is updated as of Q1 2025.

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. **MSCI net return assumption**: foreign tax withholding rate from dividends are deducted before investing. **GREFI - Global Real Estate Fund Index**: returns are stated in local currency and updated on a quarterly lag basis.

Capital Markets Overview

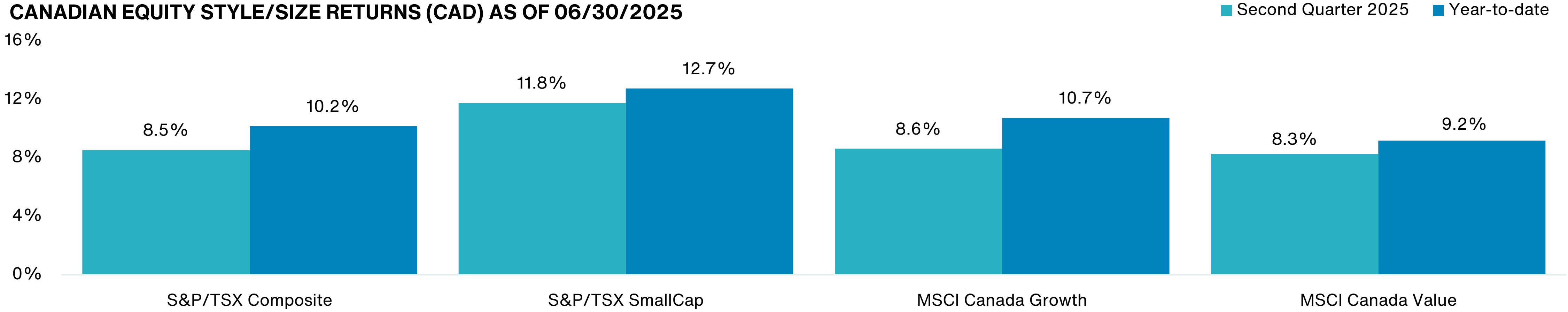
Canadian Equity

S&P/TSX COMPOSITE SECTOR RETURNS (CAD) AS OF 06/30/2025



Source: S&P

CANADIAN EQUITY STYLE/SIZE RETURNS (CAD) AS OF 06/30/2025



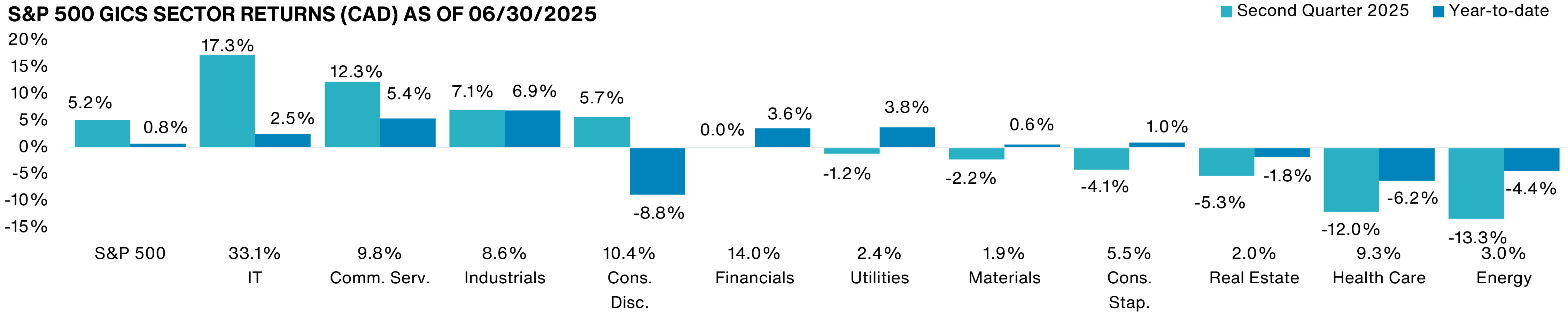
Source: S&P, MSCI

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

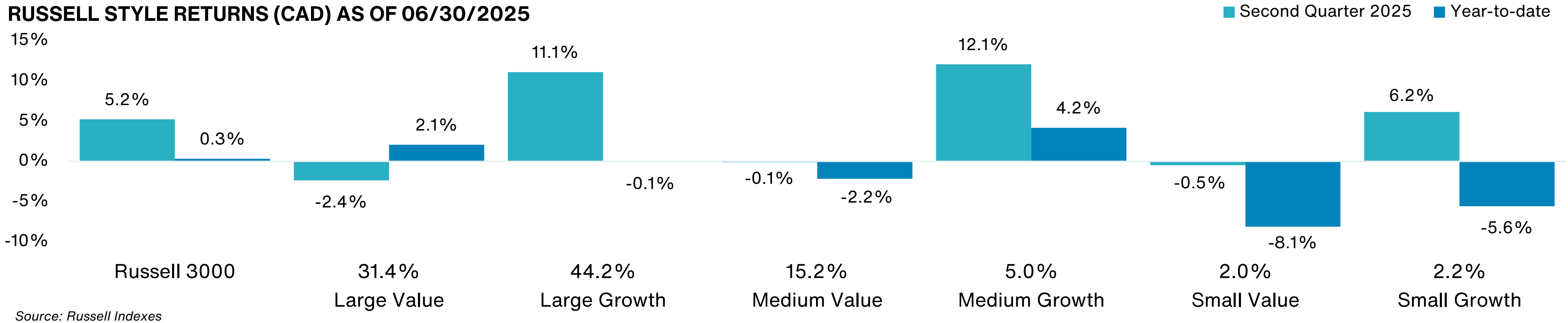
U.S. Equity

S&P 500 GICS SECTOR RETURNS (CAD) AS OF 06/30/2025



Source: S&P

RUSSELL STYLE RETURNS (CAD) AS OF 06/30/2025



Source: Russell Indexes

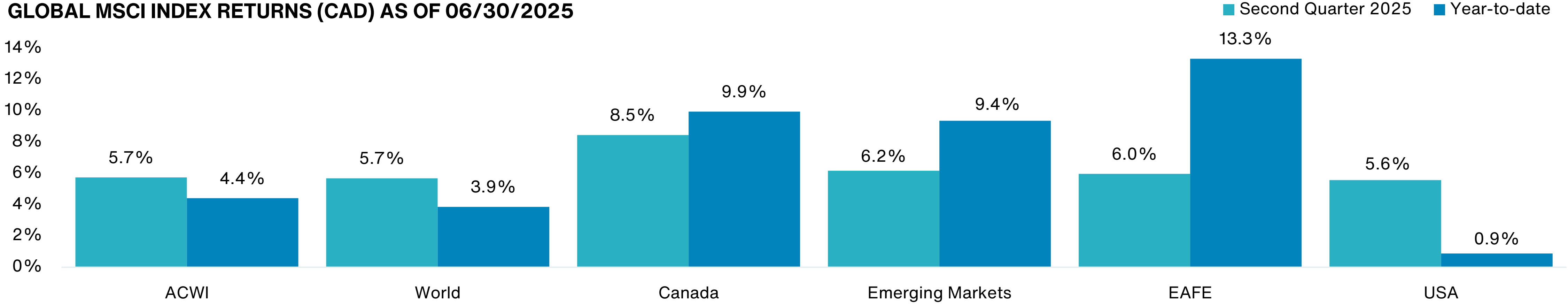
AON

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

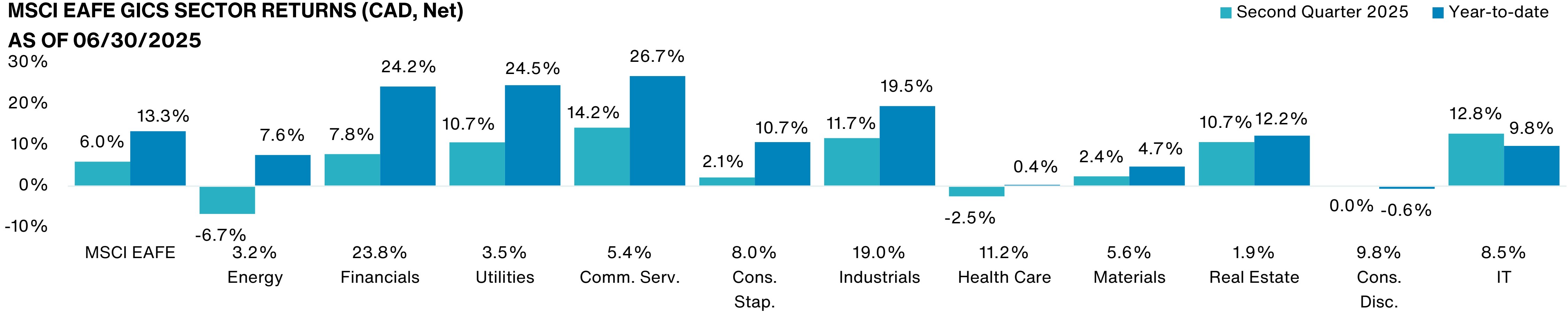
Global Equity

GLOBAL MSCI INDEX RETURNS (CAD) AS OF 06/30/2025



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

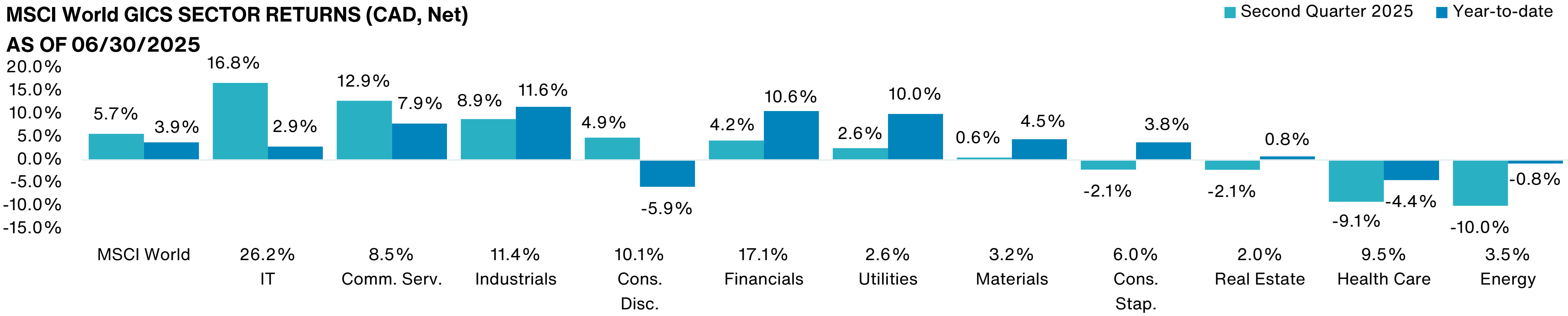
MSCI EAFE GICS SECTOR RETURNS (CAD, Net) AS OF 06/30/2025



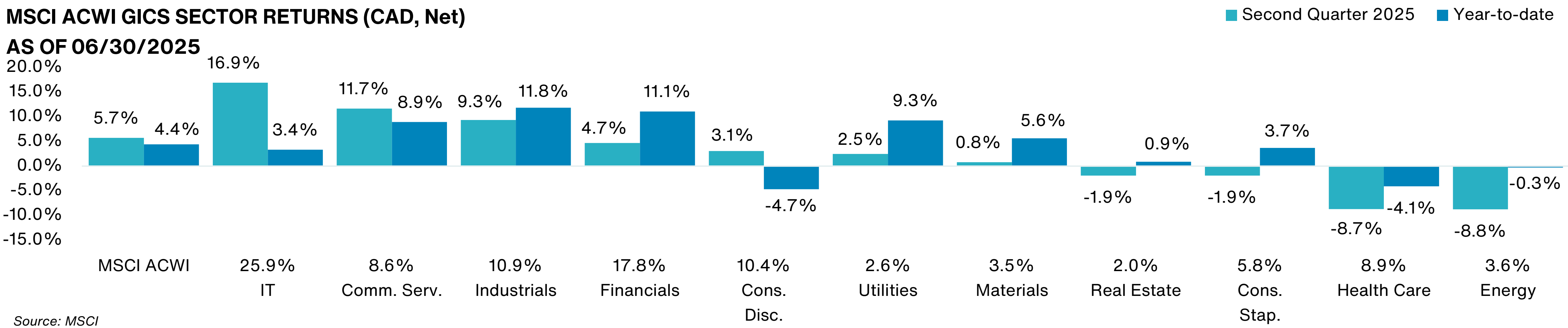
Source: MSCI

Capital Markets Overview

Global Equity



Source: MSCI

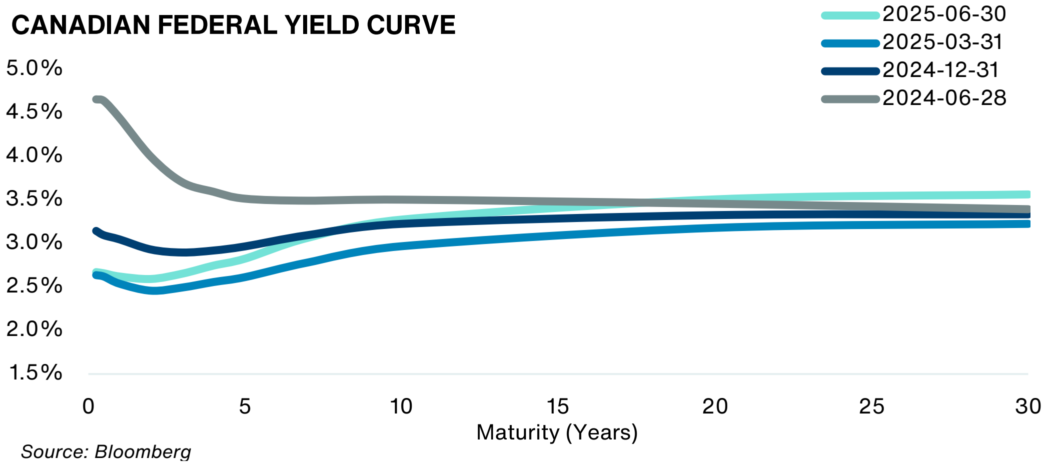


Source: MSCI

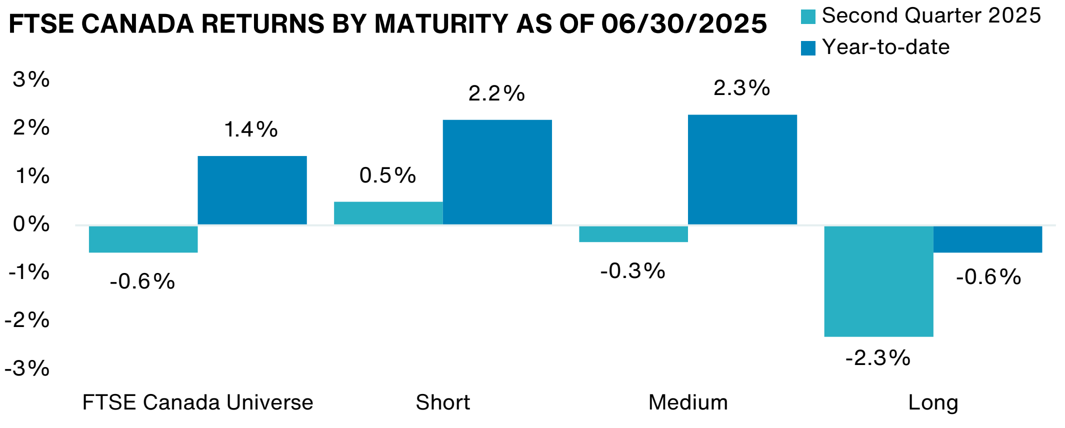
Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses.

Capital Markets Overview

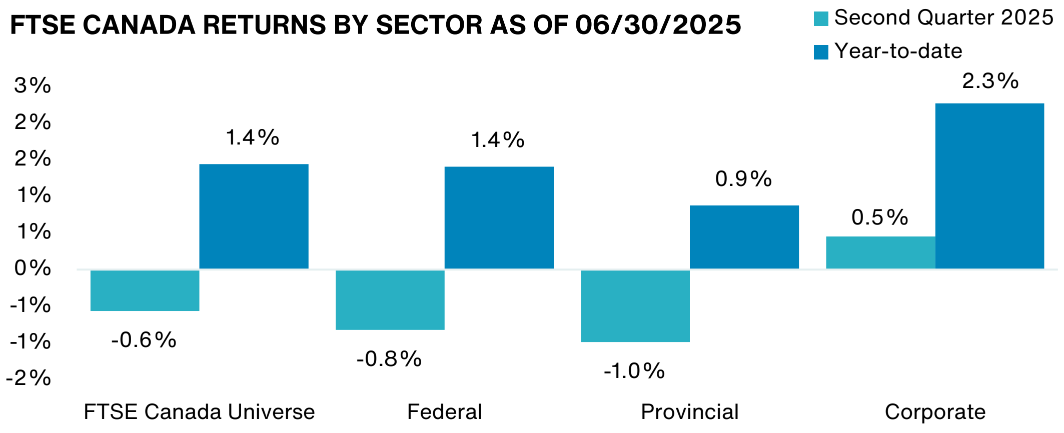
Fixed Income



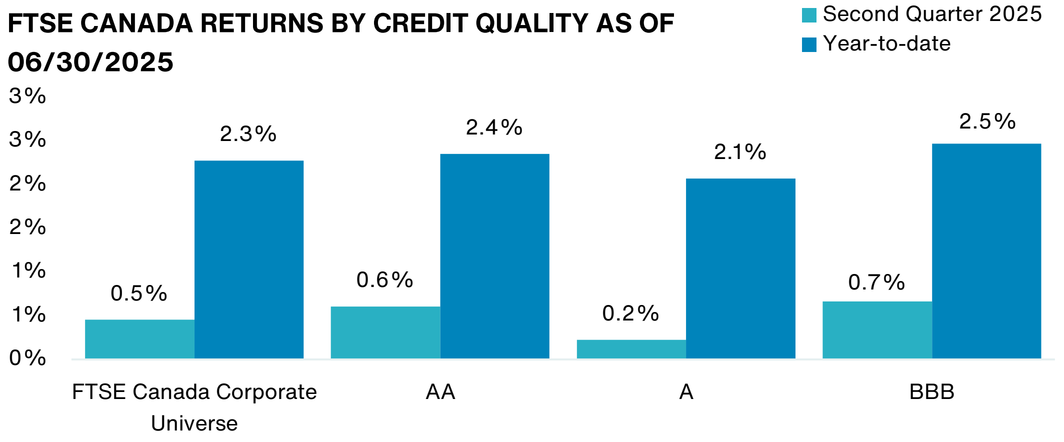
Source: Bloomberg



Source: FTSE



Source: FTSE



Source: FTSE

Quarterly Investment Outlook

A Summary of our Thoughts

Key Highlights

Economic Outlook
Despite ongoing geopolitical and trade uncertainties, markets have remained relatively calm, supporting our base case that a recession is avoided. However, we expect slower growth in 2025 and 2026 compared to 2024, even if the recently announced tariffs are delayed or cancelled.

Market Risks
The selection process for the next Fed Chair is underway and Jerome Powell has made it clear he won't be resigning early. If the appointee is perceived as too close to the White House, this could lead to further dollar weakness and a steepening of the yield curve.

Investment Strategy
With tight credit spreads and a less discriminating market, we believe active management is key to enhancing risk-adjusted returns. We also continue to encourage exploring alternative strategies within credit beyond traditional corporate bonds.

Preferred ideas

1 **Diversifying Hedge funds**
Conservative hedge funds for resilience in volatile markets.

2 **Alternative credit strategies**
Subscription line financing and bank capital relief strategies for compelling risk-reward profiles (albeit they are at very different points of the risk-return spectrum).

3 **Private market allocations**
Select private credit and equity tranches of securitised credit for long-term value.

Actions to consider. 1) Accelerate de-risking to take advantage of elevated equity prices.
2) Diversify return sources through alternative credit and hedge fund strategies.

2

Performance Review

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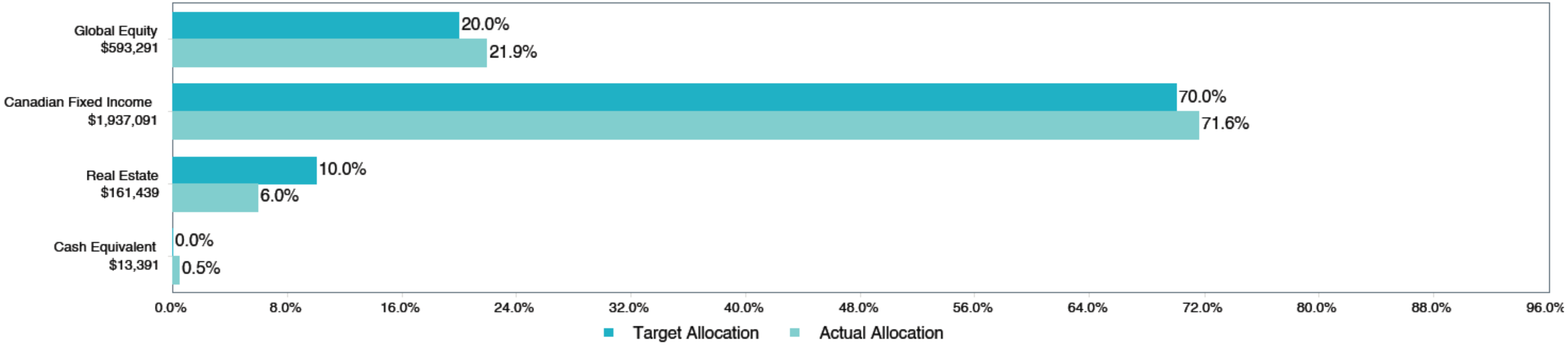
Executive Summary – Sinking Fund and Long-Term Fund

	Performance (%) Quarter	1 Year	4 Year	Market value ($000)	Fees (bps)	Objective Met	Action Required
Sinking Fund Return	-1.1	6.4	0.7	2,705,211	14.0	No	No
Sinking Fund Benchmark	-0.2	7.0	1.6				
Value Added	-0.9	-0.6	-0.9				
Long Term Fund Return	-0.1	7.7	2.7	6,237,695	16.1	No	No
Long Term Fund Benchmark	1.0	8.3	3.2				
Value Added	-1.0	-0.6	-0.5				

Asset Allocation Compliance – Sinking Fund

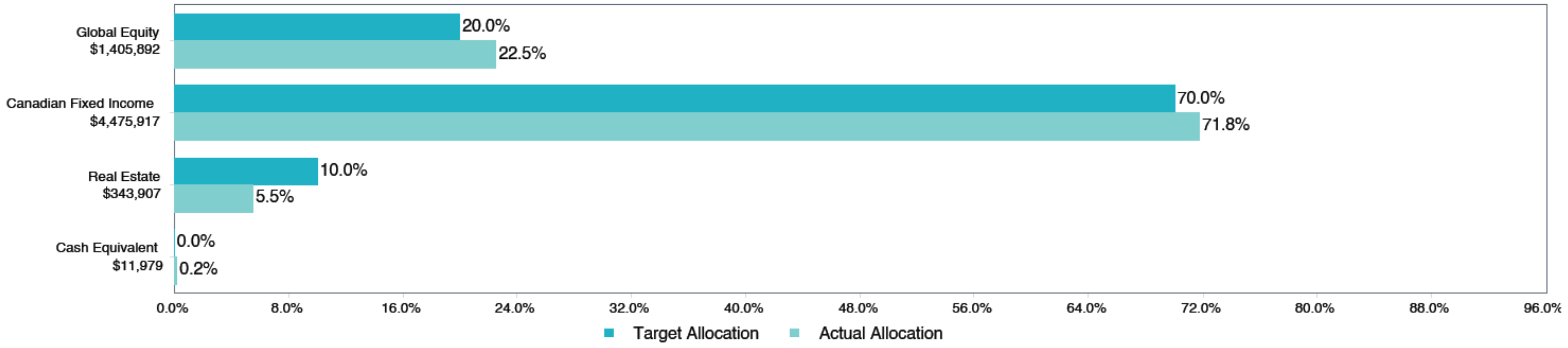
As of 30 June 2025 ($000)



	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	593,291	21.9	20.0	1.9	0.0	30.0	Yes
Canadian Fixed Income	1,937,091	71.6	70.0	1.6	50.0	100.0	Yes
Real Estate	161,439	6.0	10.0	-4.0	0.0	15.0	Yes
Cash Equivalent	13,391	0.5	0.0	0.5	0.0	5.0	Yes
Total Fund	**2,705,211**	**100.0**	**100.0**	**0.0**			

Asset Allocation Compliance – Long Term Fund

As of 30 June 2025 ($000)



	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	1,405,892	22.5	20.0	2.5	0.0	30.0	Yes
Canadian Fixed Income	4,475,917	71.8	70.0	1.8	50.0	100.0	Yes
Real Estate	343,907	5.5	10.0	-4.5	0.0	15.0	Yes
Cash Equivalent	11,979	0.2	0.0	0.2	0.0	5.0	Yes
Total Fund	**6,237,695**	**100.0**	**100.0**	**0.0**			

Strategy Performance

Strategy	Rating	Value Added (%) Quarter	Value Added (%) SI*	Action Required
Addenda LDI	Buy	0.5	0.2	No
Fiera LDI	Buy	0.1	0.3	No
CC&L Core Fixed Income	Buy	0.0	0.5	No
Leith Wheeler Core Fixed Income	Buy	0.1	0.6	No
Pier 21 Global Equity	Buy	-5.3	-2.4	No
Oakmark Global Equity	Buy	-5.2	-4.4	No
Fiera Global Focused Equity	Buy	-4.9	-1.1	No
LGIM Multi-Factor Global Equity	Buy	-4.2	-2.9	No
UBS Global Real Estate	Buy	-1.5	-5.5	No
CBRE Global Alpha	Buy	-0.6	0.1	No

*Since Inception Dates:
- Addenda LDI, Fiera LDI, CC&L Core Fixed Income, Leith Wheeler Core Fixed Income: 7/1/2019
- Pier 21 Global Equity, Oakmark Global Equity: 11/1/2019
- Fiera Global Focused Equity: 2/19/2020
- LGIM Multi-Factor Global Equity: 12/14/2020
- UBS Global Real Estate: 7/1/2024
- CBRE Global Alpha: 12/1/2024

Manager Updates

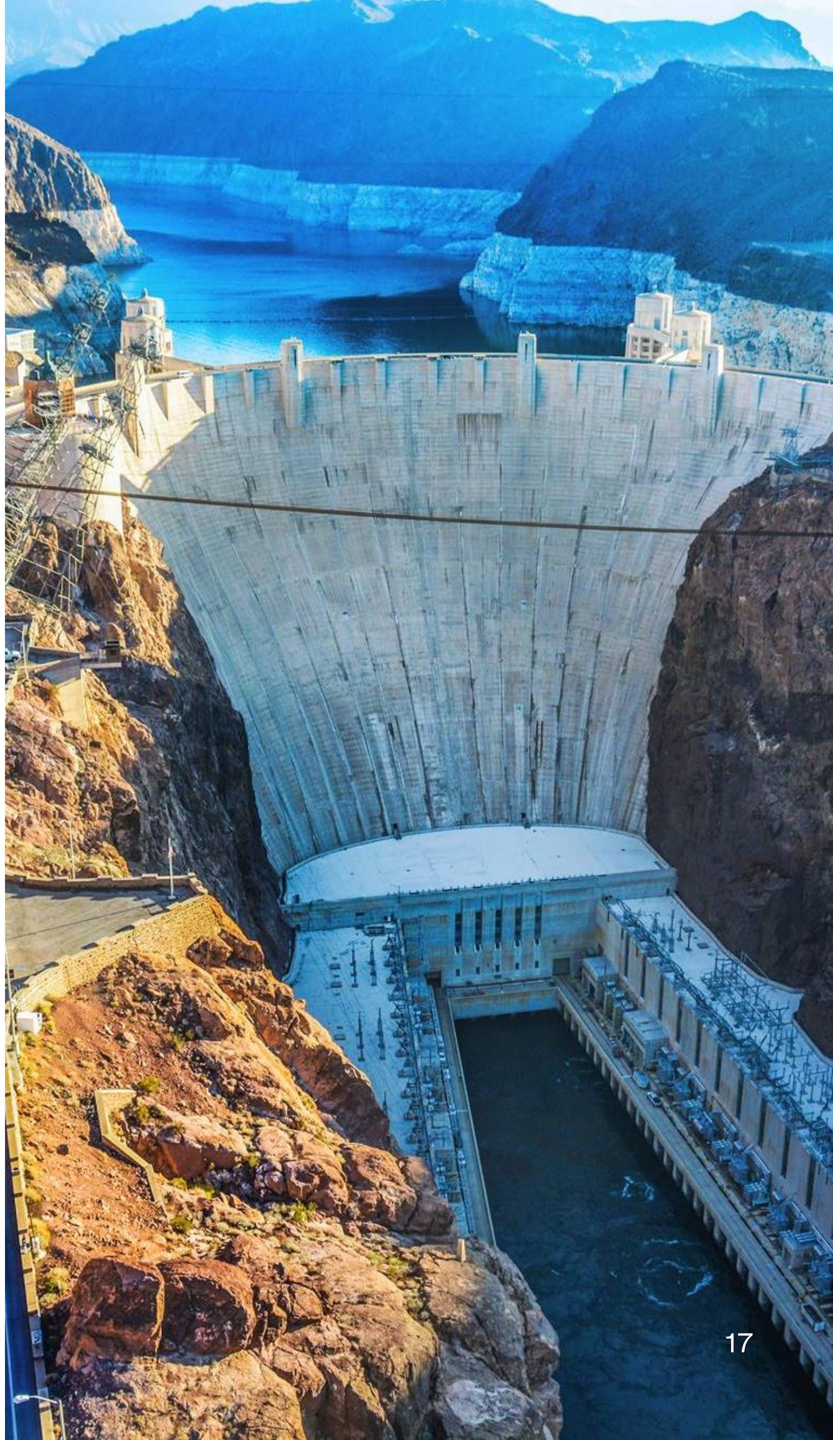
Addenda	• No significant updates impacting City of Toronto	Integrated
CC&L	• Alicia Wu is promoted to Portfolio Manager, Fixed Income • Kevin Malcolm is promoted to Portfolio Manager & Trader, Fixed Income	Integrated
Leith Wheeler	• No significant updates impacting City of Toronto	Integrated
Pier 21 (C. Worldwide)	• No significant updates impacting City of Toronto	Integrated
LGIM	• David Barron assumed the role of Global Head of Index & ETFs, Asset Management in May. Jed Plafker joined as CEO of L&G Asset Management, America during the same month. • Howie Li, who previously held the position of Global Head of Index & ETFs, Asset Management, departed from the firm.	Advanced
Fiera	• Maxime Ménard will assume the role of Global President and CEO starting July 1, 2025, taking over from the founder Jean-Guy Desjardins, who will continue as Executive Chair. • The change also involves Gabriel Castiglio being appointed as Global Chief Operating Officer. • Lucas Pontillo will broaden his responsibilities to encompass Head of Corporate Strategy in addition to his CFO role. • Jean Michel, Executive Director, CIO of Fiera Public Markets, left the firm during April 2025.	Integrated
UBS	• No significant updates impacting City of Toronto	N/A
CBRE	• No significant updates impacting City of Toronto	Integrated

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

InFocus

Navigating Market Uncertainty

AON

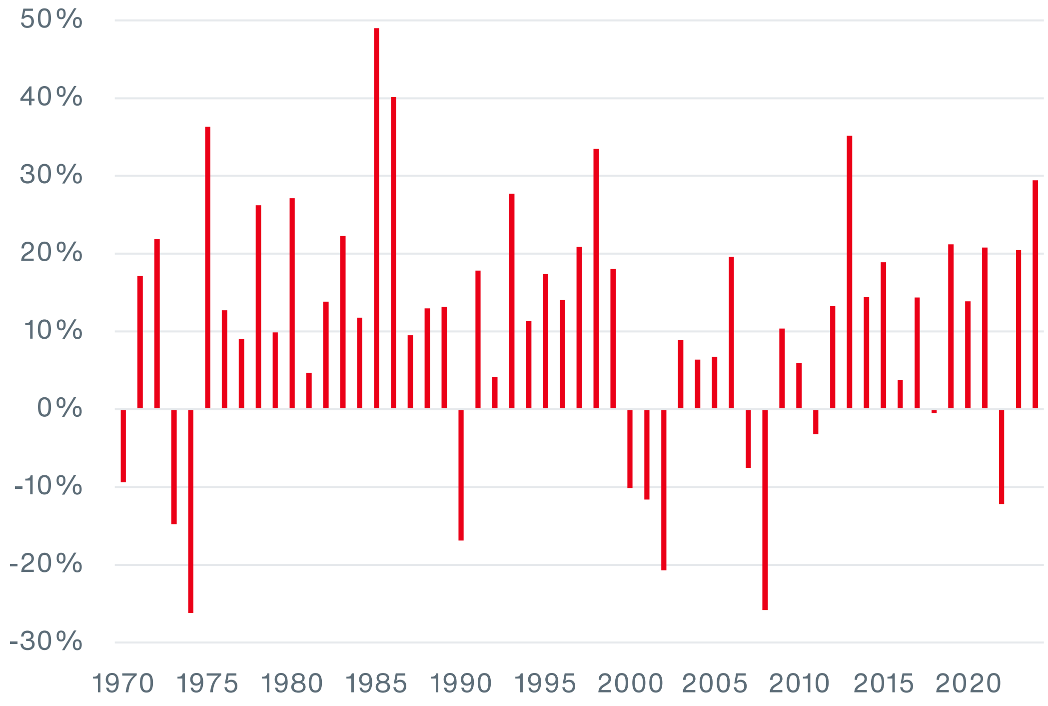
Investing in a Volatile World

"Prediction is Very Difficult, Especially if it is About the Future"[1]

Over the last 54 years the MSCI World Index returned 9.6% per year, however, returns in any one year have fluctuated significantly.

- Financial markets have tested institutional investors over the past five decades.
- Investors have had to manage risk, returns, and liquidity during many volatile times, including:
  - the oil crisis in the 1970s,
  - the "tech wreck" of the early 2000s,
  - the 9/11 terrorist attacks,
  - the global financial crisis, and
  - Covid-19.

Annual MSCI World Net ($C) Index Returns 1970 - 2024

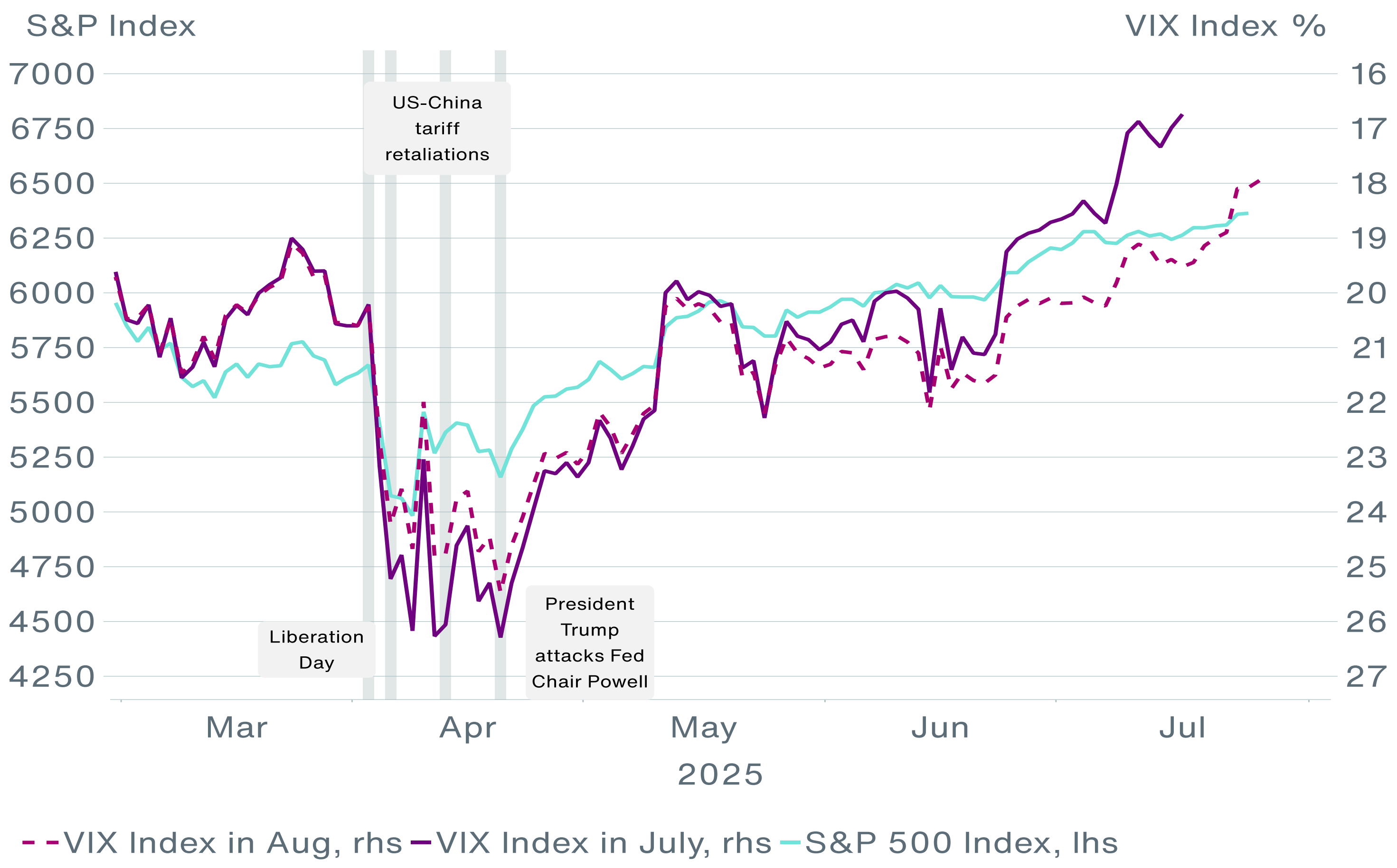


Source: MSCI

[1] Quote attributed to renowned physicist Niels Bohr.

Current Market Volatility

Market Volatility has Been High so Far in 2025



Source: Macrobond, CBOE as of 24 July 2025.

- Volatility spiked in early April 2025 following Tariff announcements from the U.S.
- The 10.5% 2-day fall in the S&P 500 (to April 4) was the worst return outside 1987, Covid, the GFC and the Great Depression crash – however the S&P 500 return in April ended up being nearly flat.
- The continuation of trade wars and geopolitical conflict means that volatility is not likely to decrease soon.

Key takeaway

In an uncertain economic environment – Portfolio resilience is more important than ever.

When Markets are Uncertain

Look at the Big Picture

Take a Long-term View

Long-term investing helps smooth out the unpredictable fluctuations of the market.

Diversify Your Portfolio

Spreading risk across different asset types helps in managing market fluctuations and reducing overall risk.

Retain Patience and Discipline

Maintaining patience and discipline helps investors to ride out market volatility and achieve long-term growth.

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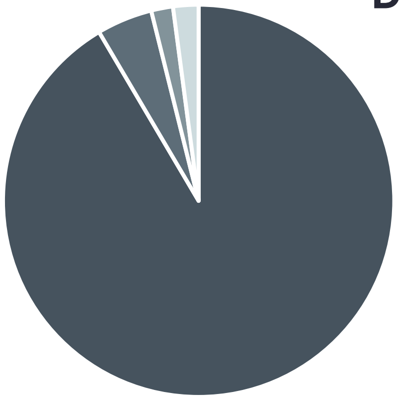
Asset Allocation

The Most Important Decision

Studies have shown that Asset Allocation is the most important determinant of portfolio performance.[1]

Determinants of Portfolio Performance



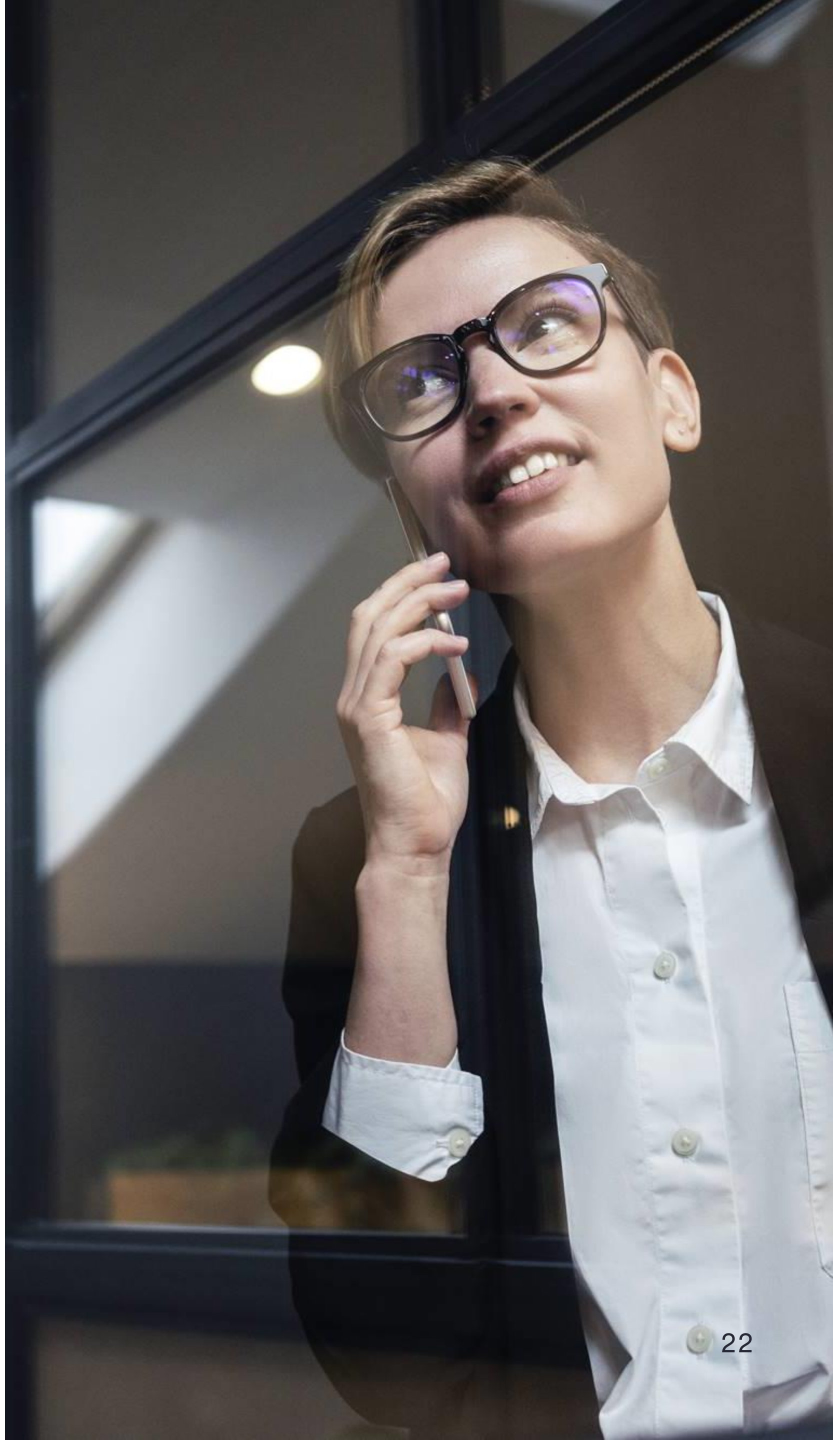
- 91.5% Asset Allocation
- 4.6% Securities Selection
- 1.8% Timing
- 2.1% Other Factors

When navigating volatile markets

“Don’t lose sight of the forest for the trees.”

Reach out to see how Aon can help.

[1] Source: Brinson, Singer and Beebower, “Determinants of Portfolio Performance II: An Update” 1991.

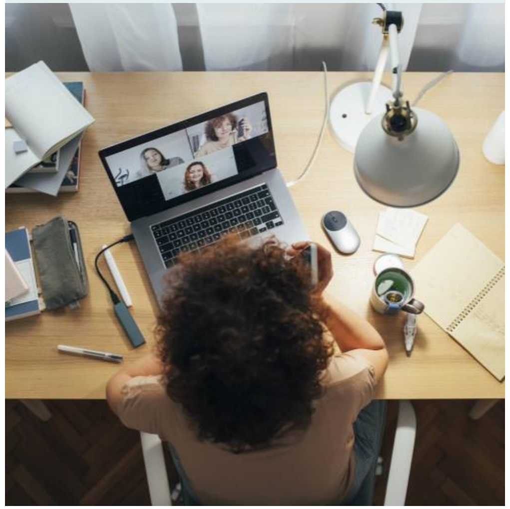


What Can You Do?

And How Aon Can Help

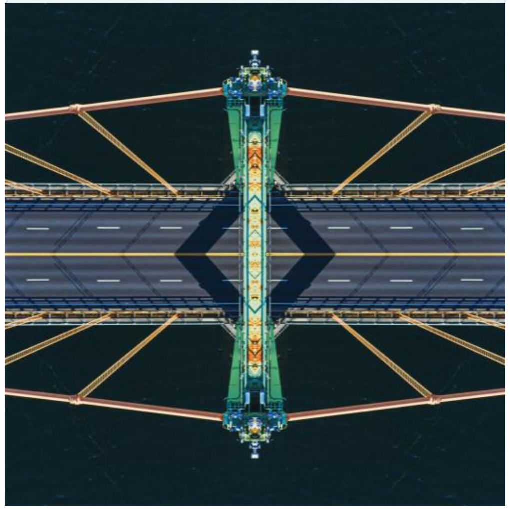
Review Resources and Governance Structure

Institutional investors should review their governance structure to understand how they can respond and what is required from the portfolio.



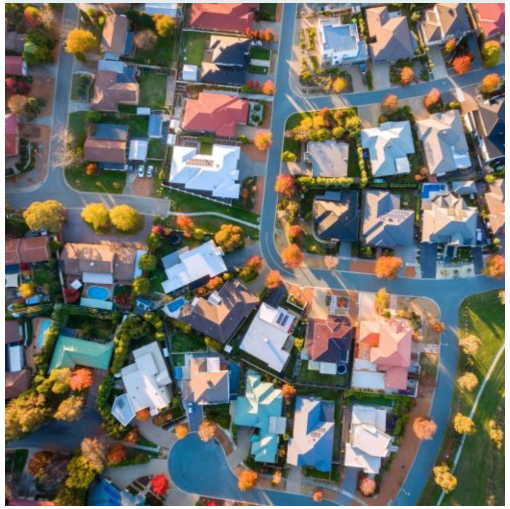
Rebalance with Discipline

Rebalancing helps investors stay focused on long-term policy – check current positioning and ensure exposure has not crept above strategic targets.



Look Toward Market Opportunities

Some asset classes provide long-term uncorrelated sources of return. Opportunistic Allocations can take advantage of market dislocations.



Reassess Risk Management

Seeking investment opportunities must be balanced with risk management – it should be disciplined and methodical.

4

Thought Leadership

Market Outlook

access code

aon!

Subscribe to the Aon Retirement & Investment Solutions website by clicking the icon.

Thought Leadership Summary

Click the **icon** to read the associated paper

The Optimal Outsourced Chief Investment Officer

Institutional investors face an array of challenges in managing their investment programs including volatile capital markets, evolving investment strategies, and growing operational complexities. The following articles illustrate how OCIO can help with these challenges.

- **OCIO: The Key to Navigating Volatility**
- **Unlock the Potential of Alternative Investments with an OCIO**
- **How an OCIO Can Help Improve Governance and Manage Complexity**

Global Equity – What is the Benchmark

- Investors looking to invest in global equity can choose from a number of index providers that offer appropriate benchmarks to assess their portfolios.
- In Canada, most investors are using either the MSCI World Index or the MSCI All Country World Index (“ACWI”) to benchmark active global equity managers.
- Given most managers have, or can have, exposure to emerging markets, we believe using the MSCI ACWI can be the most suitable index for performance monitoring.

Passively Becoming Active

- Passive investing has gained significant popularity over the past decade, offering potential low-cost exposure to broad market indices.
- However, institutional investors need to be aware of potential biases associated with passively tracking capitalization-weighted indices, particularly in terms of concentration risk.
- Investors are in danger of passively becoming active.

5

Appendices

SciBeta Multifactor Benchmark
Asset Allocation Views

Performance attribution – Scibeta Multi-factor benchmark

1 Quarter – As of June 30, 2025

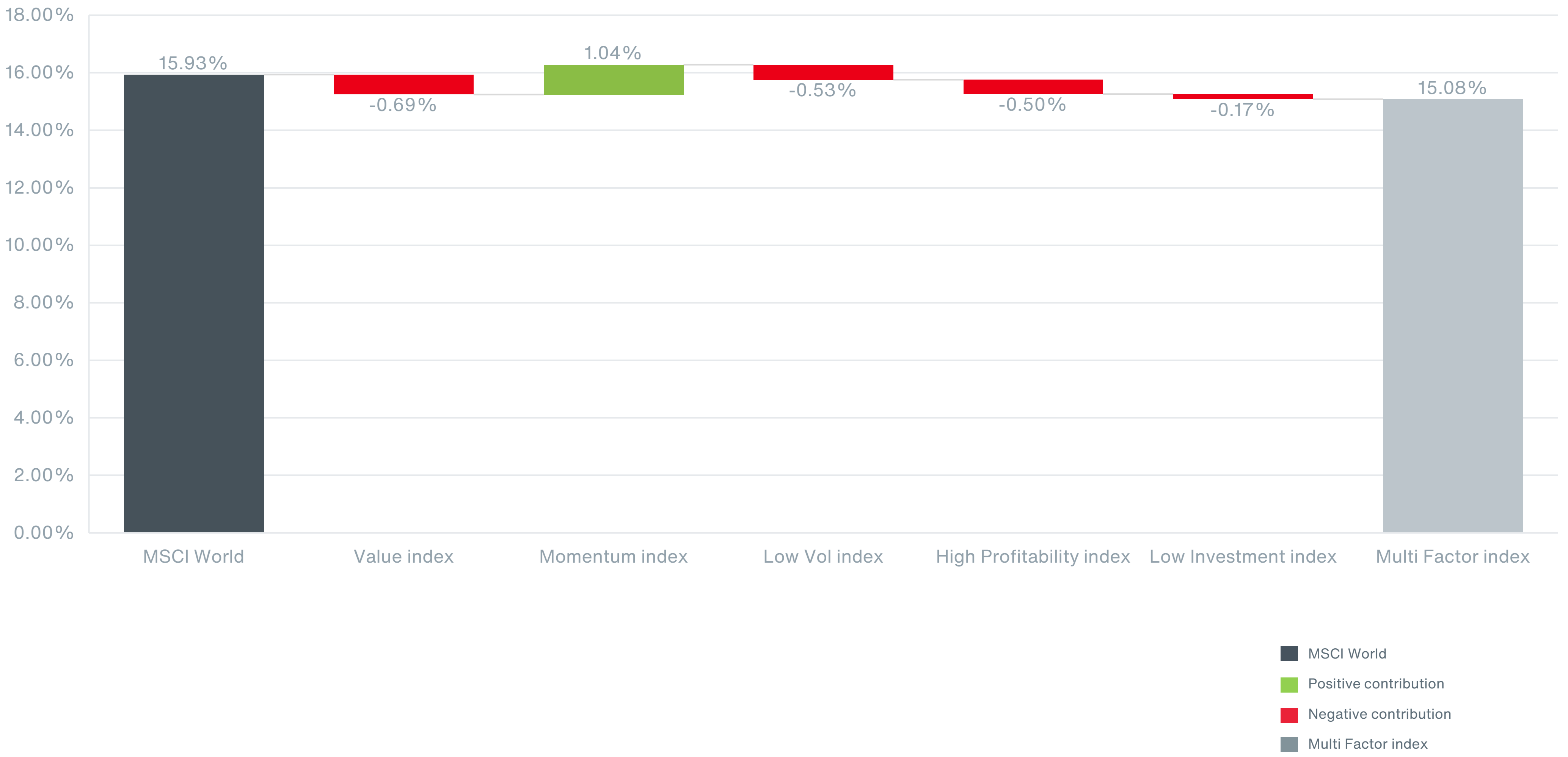
Performance attribution – Scibeta Multi-factor benchmark

YTD – As of June 30, 2025

AON

Performance attribution – Scibeta Multi-factor benchmark

1 Year – As of June 30, 2025



Performance attribution – Scibeta Multi-factor benchmark

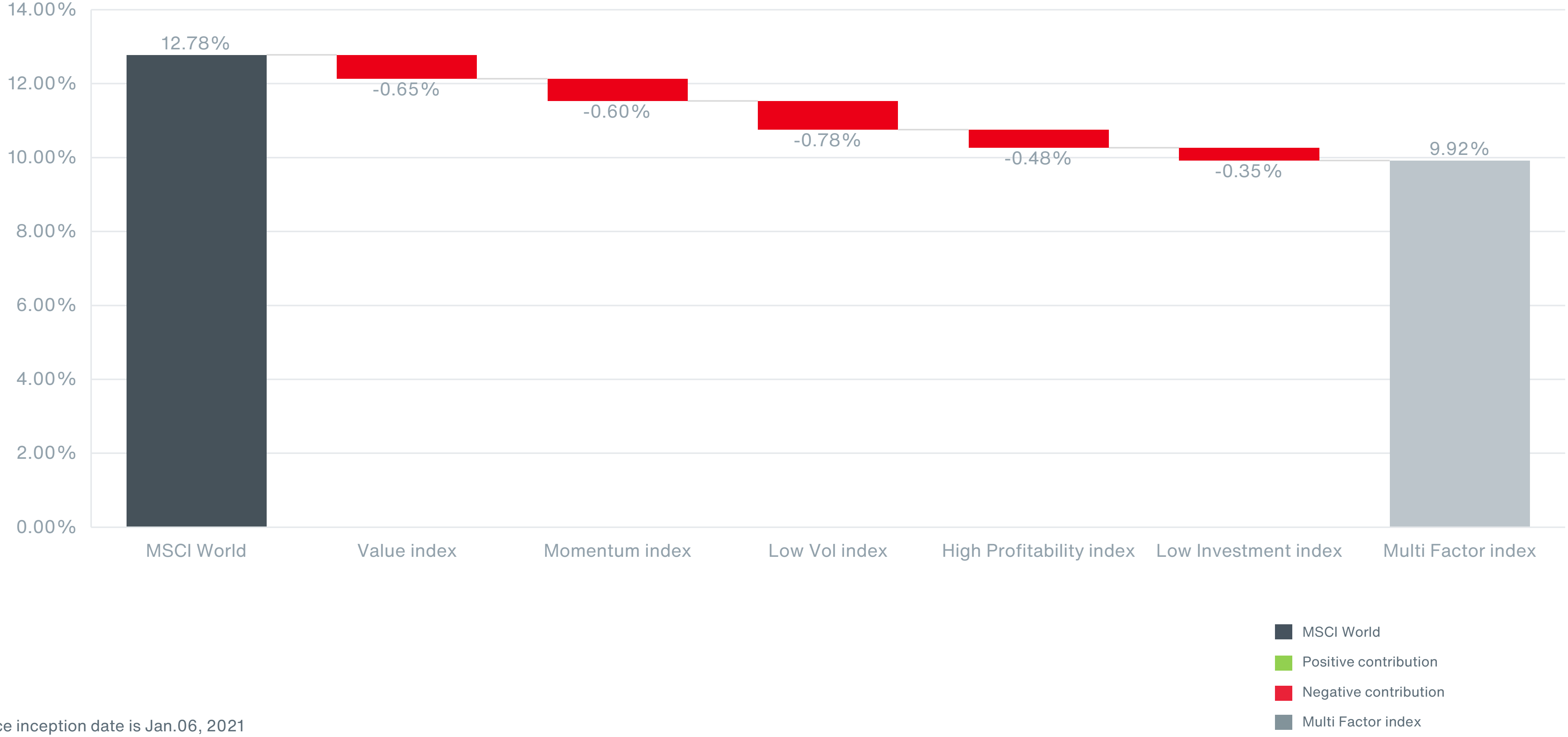
2 Year – As of June 30, 2025

Performance attribution – Scibeta Multi-factor benchmark

3 Year – As of June 30, 2025

Performance attribution – Scibeta Multi-factor benchmark

Since Inception* – As of June 30, 2025



- The since inception date is Jan.06, 2021

Cross Asset Heat Map

---	--	-	=	+	++	+++
		Equities				
			US Treasuries			
			Canada Government			
		IG Credit Excess Return				
					IG Securitized Credit	
					Liquid Alternatives	
		Sub-IG Fixed Income				

Keep equity allocations close to benchmark

Equity markets are showing considerable faith in the "TACO" theme (Trump Always Chickens Out) as trade negotiations continue. Despite the recent rally, we acknowledge further upside potential if earnings growth delivers and broadens out. However, we also caution that valuations are now higher again and could be challenged by higher tariffs and a growth slowdown over the medium-term.

Get ready to increase Treasury exposure

Yields are choppy. We downgraded our U.S. Treasury view last quarter but there could be an opportunity to buy again if yields grind higher.

Spreads are tight in traditional IG – we continue to prefer more carry and lower spread duration in IG Securitized Credit

Spreads are not sufficiently attractive to compensate for unexpected shocks and potentially weaker economic conditions at longer horizons. We continue to believe there is more value outside of the traditional credit spectrum.

Talk to your consultant about liquid alternatives

Liquid alternatives such as insurance linked securities offer steady uncorrelated returns with lower volatility than traditional risk assets. We also continue to like opportunities in diversifying hedge funds to build resilience into portfolios.

Aon's Asset Class Views

Review Levels for MTVs

We're often asked at what levels we would change our heat-map views. There is no clear-cut answer to this, as market prices can change in response to fundamental changes, and the price of competing assets can change too. Here are some key trigger values where we look to review the current rating.

	Negative	Neutral	Positive
U.S. Treasuries	10 year below 4.15%	**Currently neutral**	10 year above 4.5%
High Quality ABS (CLOs act as proxy)	AAA CLOs below 100 bps	AAA CLOs below 110 bps	**Currently positive**
Sub-IG ABS (CLOs act as proxy)	BB CLOs below 630 bps	BB CLOs below 700 bps	**Currently positive**
IG Corporate Spreads	**Currently negative**	US Corp IG above 110 bps	US Corp IG above 140 bps
High Yield	**Currently negative**	Global high yield above 460 bps US/European corporate above 430 bps	Global high yield above 500 bps US/European corporate above 470 bps
Leveraged loans	**Currently negative**	Discount margin above 580 bps	Discount margin above 650 bps
Equities	**Currently negative**	S&P 500 below 5750	S&P 500 below 5000

Further Explanation

The trigger values are used as a guide to prompt discussion and consider reviewing the current rating, rather than an automatic change in rating.

Cheap/Fair/Expensive levels can change as fundamentals change.

Furthermore, all position changes need to be funded/re-allocated. This means attractive levels for higher-returning assets are dependent on valuations in ILS and Sub-IG securitised credit, for example.

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This report may contain slight discrepancies due to rounding in some of the calculations. All data presented is in Canadian dollars unless otherwise stated.

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