Attachment 1A

Discussion Guide

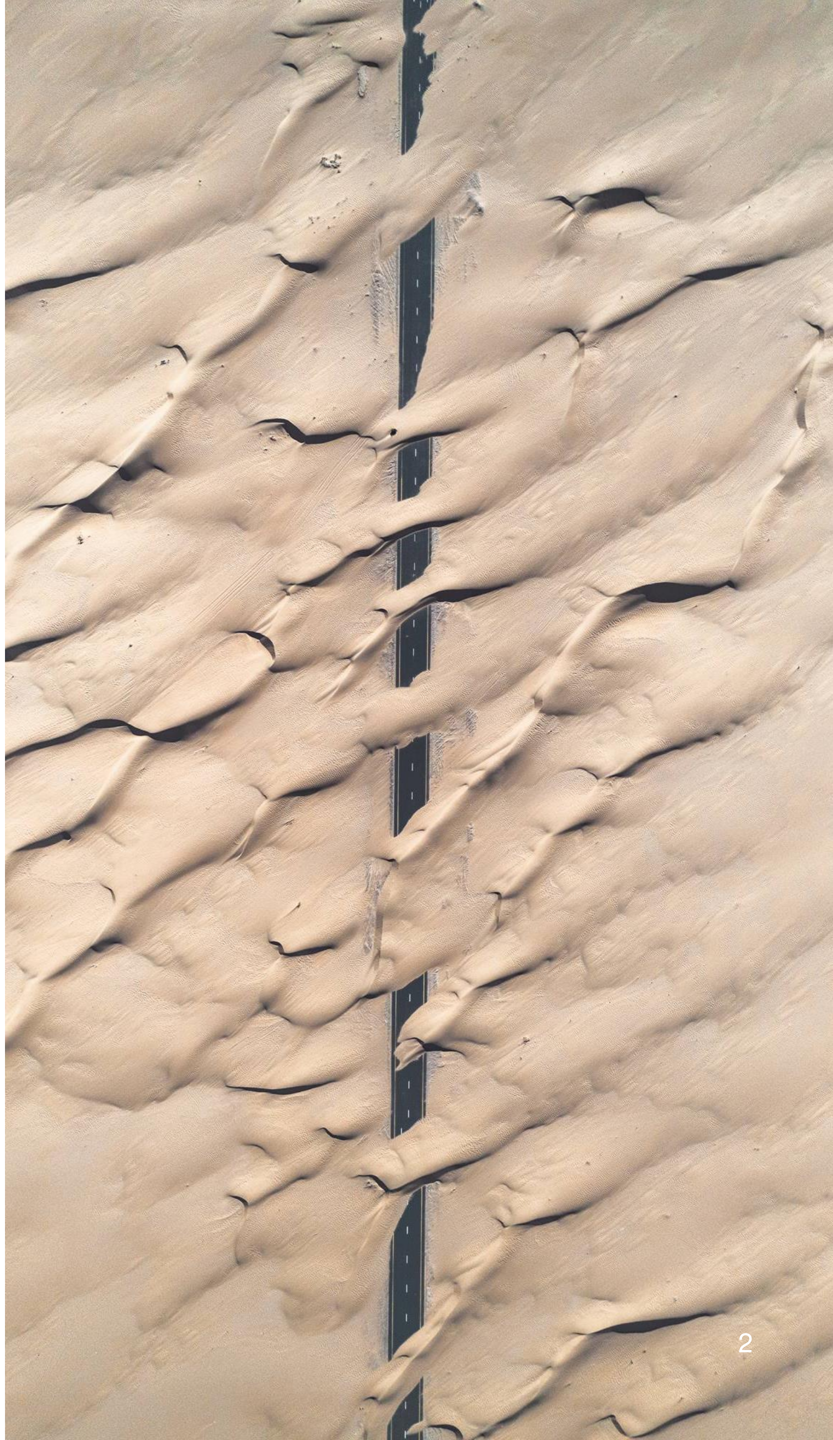
2025 Q3

Prepared for: City of Toronto (Investment Board)

Prepared by: Aon Solutions Canada Inc.

12 December 2025

Agenda



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Markets Review

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

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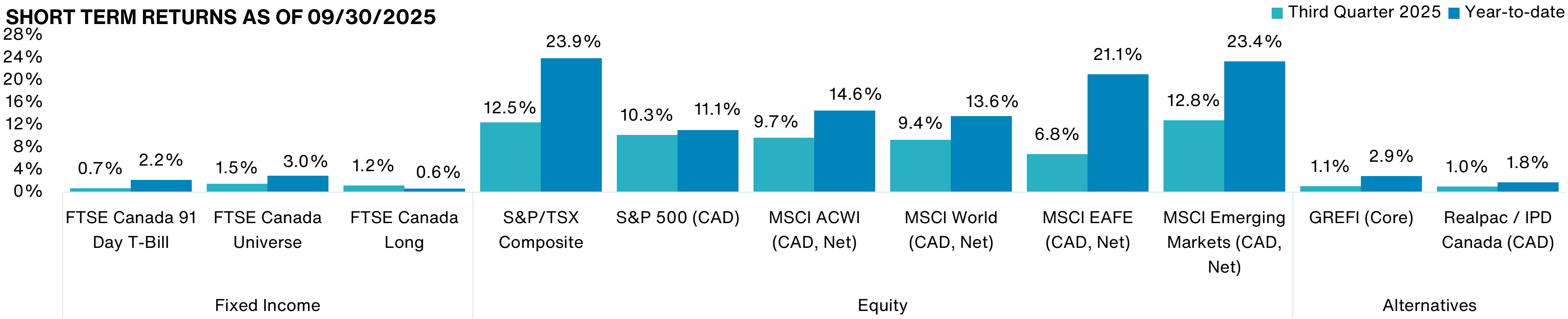
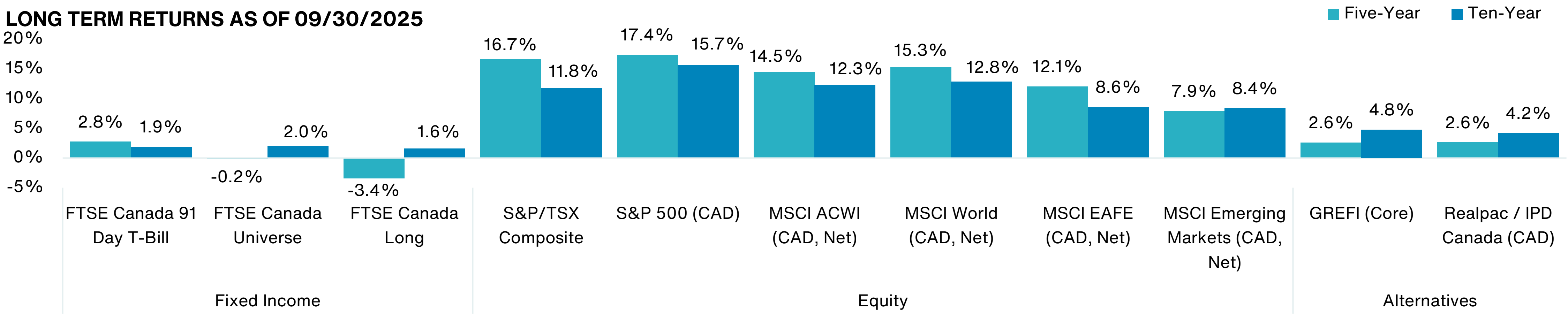
Capital Markets Overview

SHORT TERM RETURNS AS OF 09/30/2025



Sources: S&P, MSCI, FTSE. Unless it's otherwise stated, gross CAD returns are shown in this report. GREFI is updated as of Q2 2025.

LONG TERM RETURNS AS OF 09/30/2025

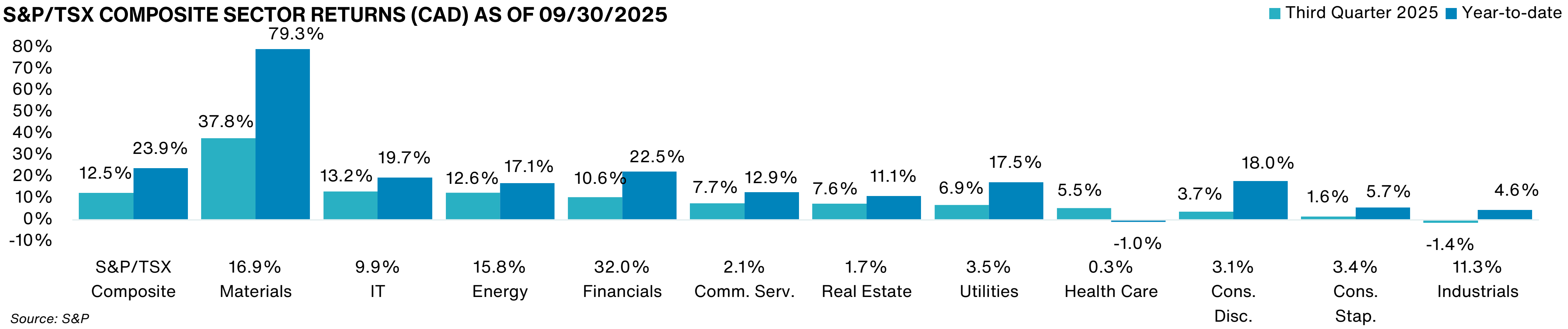


Sources: S&P, MSCI, FTSE. Unless it's otherwise stated, gross CAD returns are shown in this report. GREFI is updated as of Q1 2025.

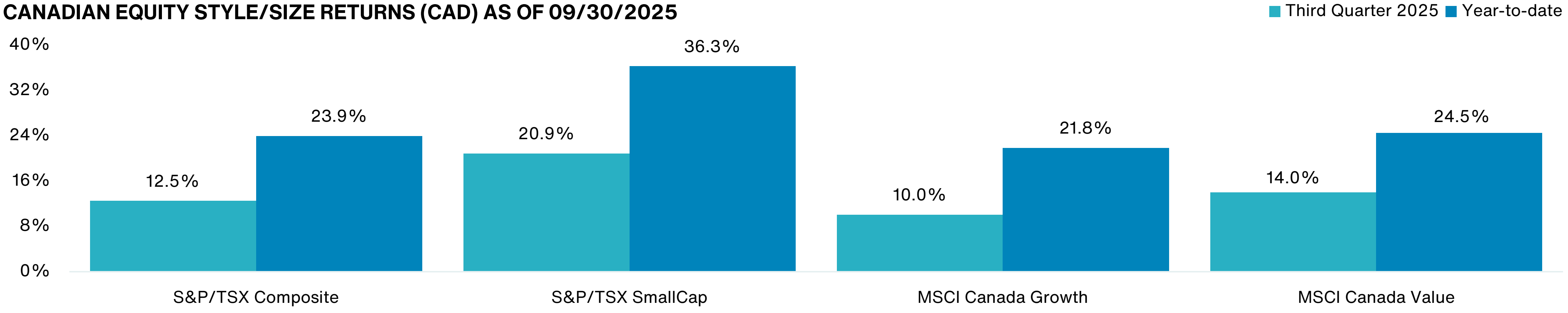
Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. **MSCI net return assumption**: foreign tax withholding rate from dividends are deducted before investing. **GREFI - Global Real Estate Fund Index**: returns are stated in local currency and updated on a quarterly lag basis.

Capital Markets Overview

Canadian Equity



Source: S&P



Source: S&P, MSCI

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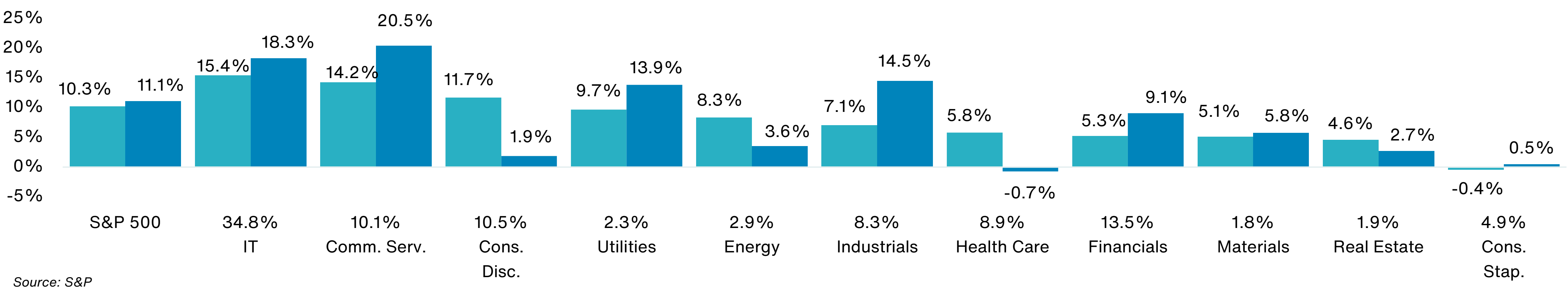
Capital Markets Overview

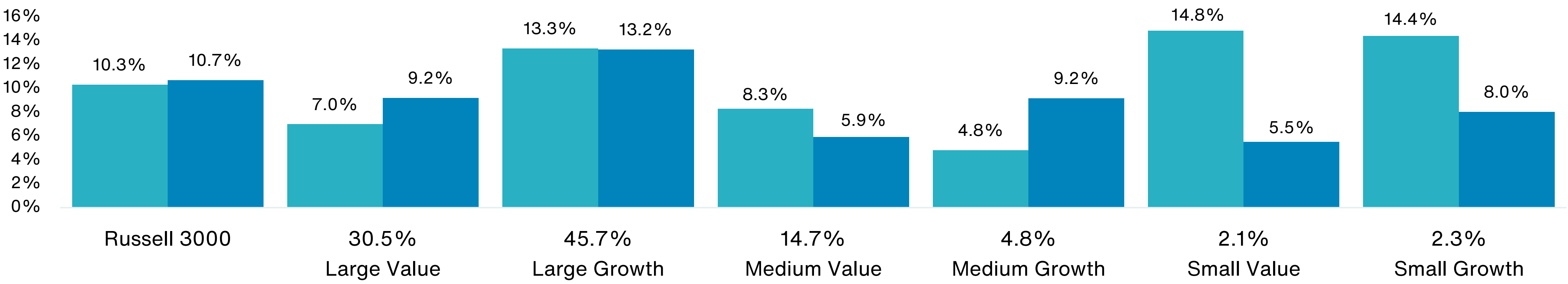
U.S. Equity

S&P 500 GICS SECTOR RETURNS (CAD) AS OF 09/30/2025



Source: S&P

RUSSELL STYLE RETURNS (CAD) AS OF 09/30/2025



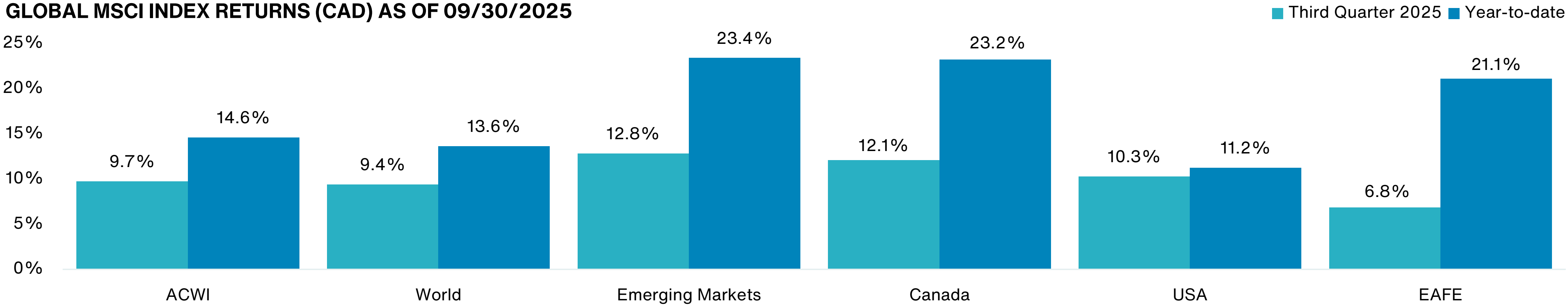
Source: Russell Indexes

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

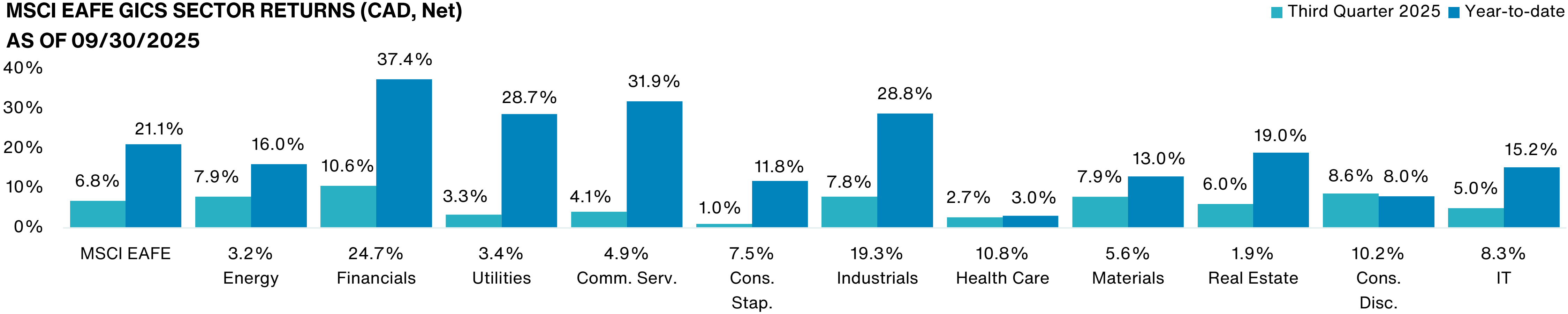
Global Equity

GLOBAL MSCI INDEX RETURNS (CAD) AS OF 09/30/2025



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 09/30/2025



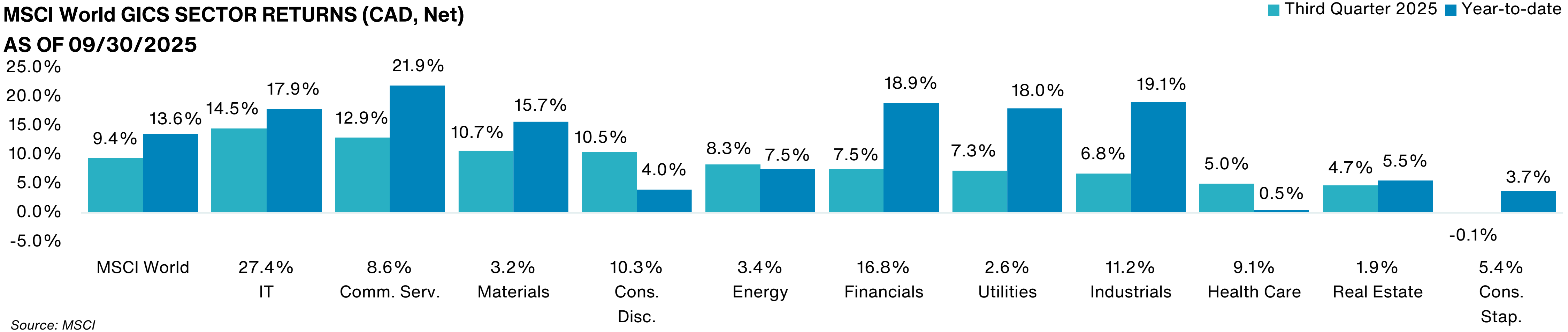
Source: MSCI

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

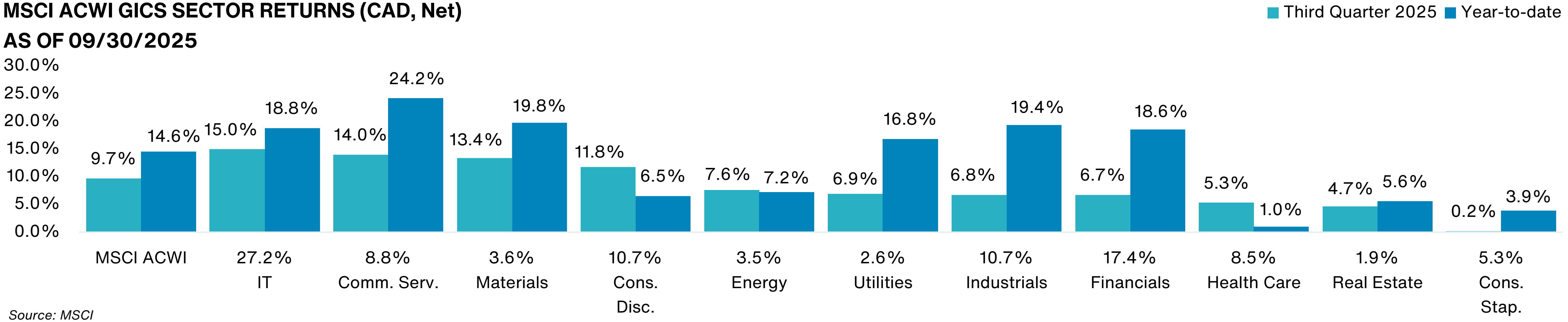
Global Equity

MSCI World GICS SECTOR RETURNS (CAD, Net)
AS OF 09/30/2025



Source: MSCI

MSCI ACWI GICS SECTOR RETURNS (CAD, Net)
AS OF 09/30/2025



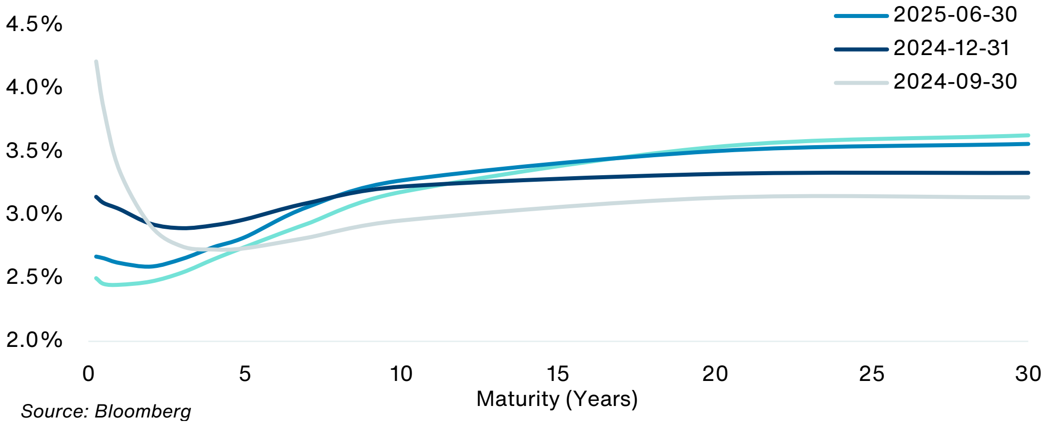
Source: MSCI

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

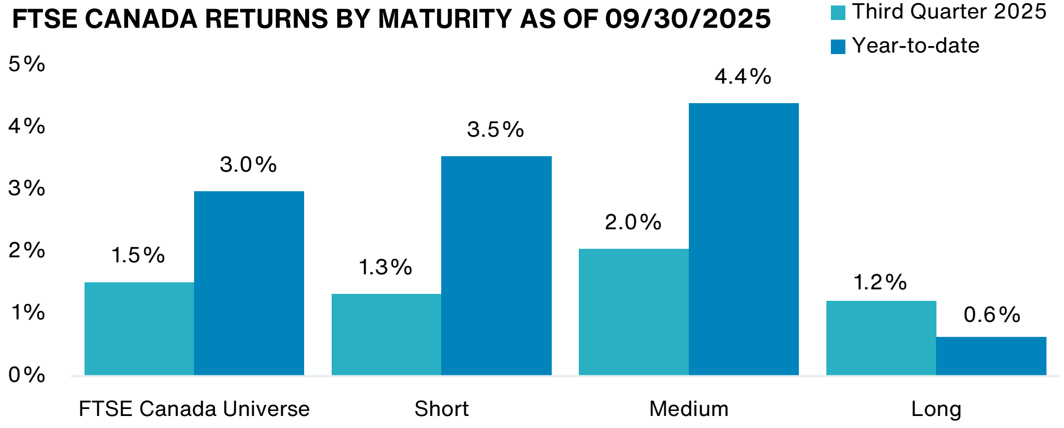
Fixed Income

CANADIAN FEDERAL YIELD CURVE



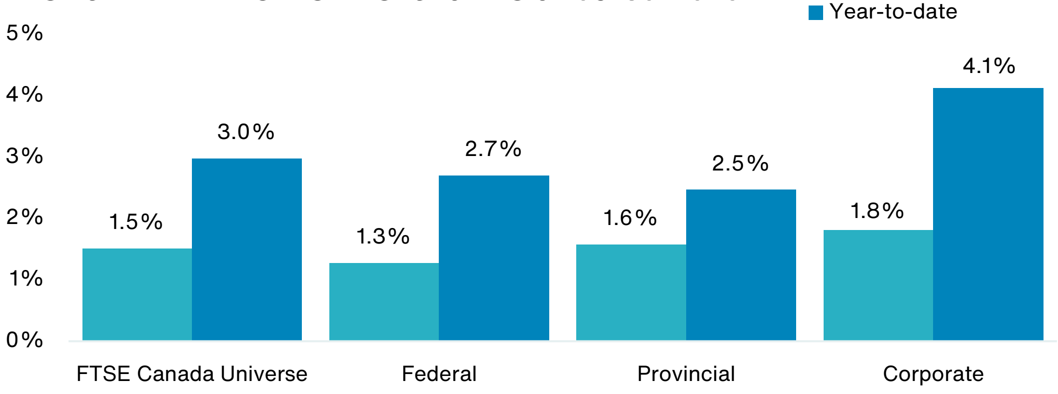
Source: Bloomberg

FTSE CANADA RETURNS BY MATURITY AS OF 09/30/2025



Source: FTSE

FTSE CANADA RETURNS BY SECTOR AS OF 09/30/2025



Source: FTSE

FTSE CANADA RETURNS BY CREDIT QUALITY AS OF 09/30/2025

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.

Quarterly Investment Outlook

A Summary of our Thoughts

Key Highlights

Economic Outlook

A prolonged government shutdown is adding to the list of uncertainties around the U.S. economy. The U.S. labour market was already decelerating but it is being driven by both supply-side factors (lower net immigration) and elevated uncertainty, making companies reluctant to hire. We still think the chances of a recession in the U.S., Canada, UK, or Euro-Area starting in the next 12 months is around 25% for each economy.

Market Risks

Our base case is that the White House will have significantly more influence over monetary policy in 2026. Looser monetary policy creates upside risk to growth, inflation, and more speculative assets, but if inflation expectations become unanchored, the Fed may be forced to implement rate hikes in 2027.

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.

Actions to consider

- **Review credit exposures** ABS has done well, look to take profits.
- **Accelerate de risking** to take advantage of elevated equity prices.
- **Diversify return sources** through alternative credit and hedge fund strategies.

Preferred ideas

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

2 **Alternative credit strategies**
Spreads on fixed income indices have contracted to levels where there is significant asymmetry for corporate IG. Even securitized credit which offered much higher spreads is less exciting now. For some investors bar-belling credit exposure might be the answer. Have less credit overall but make the credit you do have work harder by allocating to semi-liquid and private strategies.

3 **Private market allocations**
Private markets continue to offer significant liquidity risk premia which, with other risk premia compressed, makes them relatively attractive.

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Performance Review

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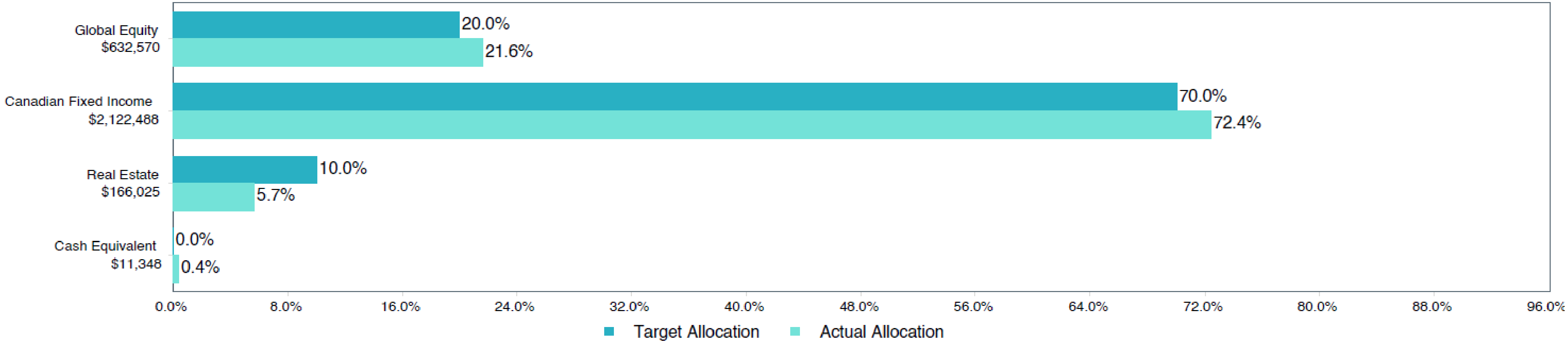
Executive Summary – Sinking Fund and Long-Term Fund

	Performance (%)			Market value ($000)	Fees (bps)	Objective Met	Action Required
	Quarter	1 Year	4 Year				
Sinking Fund Return	2.4	3.4	1.5	2,932,431	13.7	No	No
Sinking Fund Benchmark	2.9	4.9	2.5				
Value Added	-0.5	-1.5	-1.0				
Long Term Fund Return	2.7	5.4	3.3	6,418,306	16.2	No	No
Long Term Fund Benchmark	3.2	6.9	4.0				
Value Added	-0.5	-1.6	-0.7				

Asset Allocation Compliance – Sinking Fund

As of 30 September 2025 ($000)



	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	632,570	21.6	20.0	1.6	0.0	30.0	Yes
Canadian Fixed Income	2,122,488	72.4	70.0	2.4	50.0	100.0	Yes
Real Estate	166,025	5.7	10.0	-4.3	0.0	15.0	Yes
Cash Equivalent	11,348	0.4	0.0	0.4	0.0	5.0	Yes
Total Fund	**2,932,431**	**100.0**	**100.0**	**0.0**			

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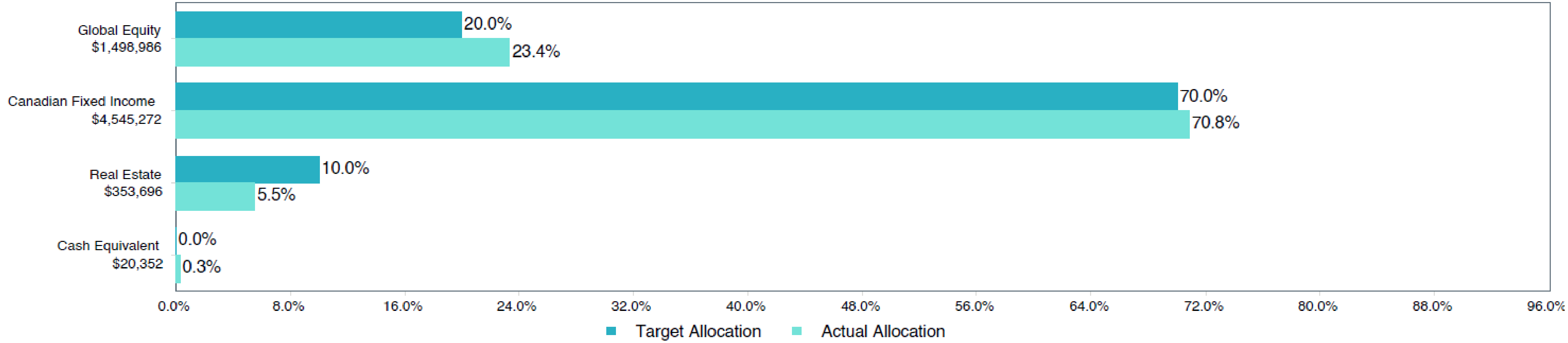
Asset Allocation Compliance – Long Term Fund

As of 30 September 2025 ($000)



	Market Value ($000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Global Equity	1,498,986	23.4	20.0	3.4	0.0	30.0	Yes
Canadian Fixed Income	4,545,272	70.8	70.0	0.8	50.0	100.0	Yes
Real Estate	353,696	5.5	10.0	-4.5	0.0	15.0	Yes
Cash Equivalent	20,352	0.3	0.0	0.3	0.0	5.0	Yes
Total Fund	**6,418,306**	**100.0**	**100.0**	**0.0**			

Strategy Performance

Strategy	Rating	Value Added (%) Quarter	Value Added (%) SI*	Action Required
Addenda LDI	Buy	0.4	0.3	No
Fiera LDI	Buy	0.2	0.3	No
CC&L Core Fixed Income	Buy	0.2	0.6	No
Leith Wheeler Core Fixed Income	Buy	0.2	0.6	No
Pier 21 Global Equity	Buy	-4.0	-3.0	No
Oakmark Global Equity	Buy	-4.4	-5.0	No
Fiera Global Focused Equity	Buy	0.6	-1.0	No
LGIM Multi-Factor Global Equity	Buy	-3.4	-3.5	No
UBS Global Real Estate	Buy	-0.9	-5.1	No
CBRE Global Alpha	Buy	-4.0	-4.1	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: 12/5/2024

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Manager Updates

Manager Updates

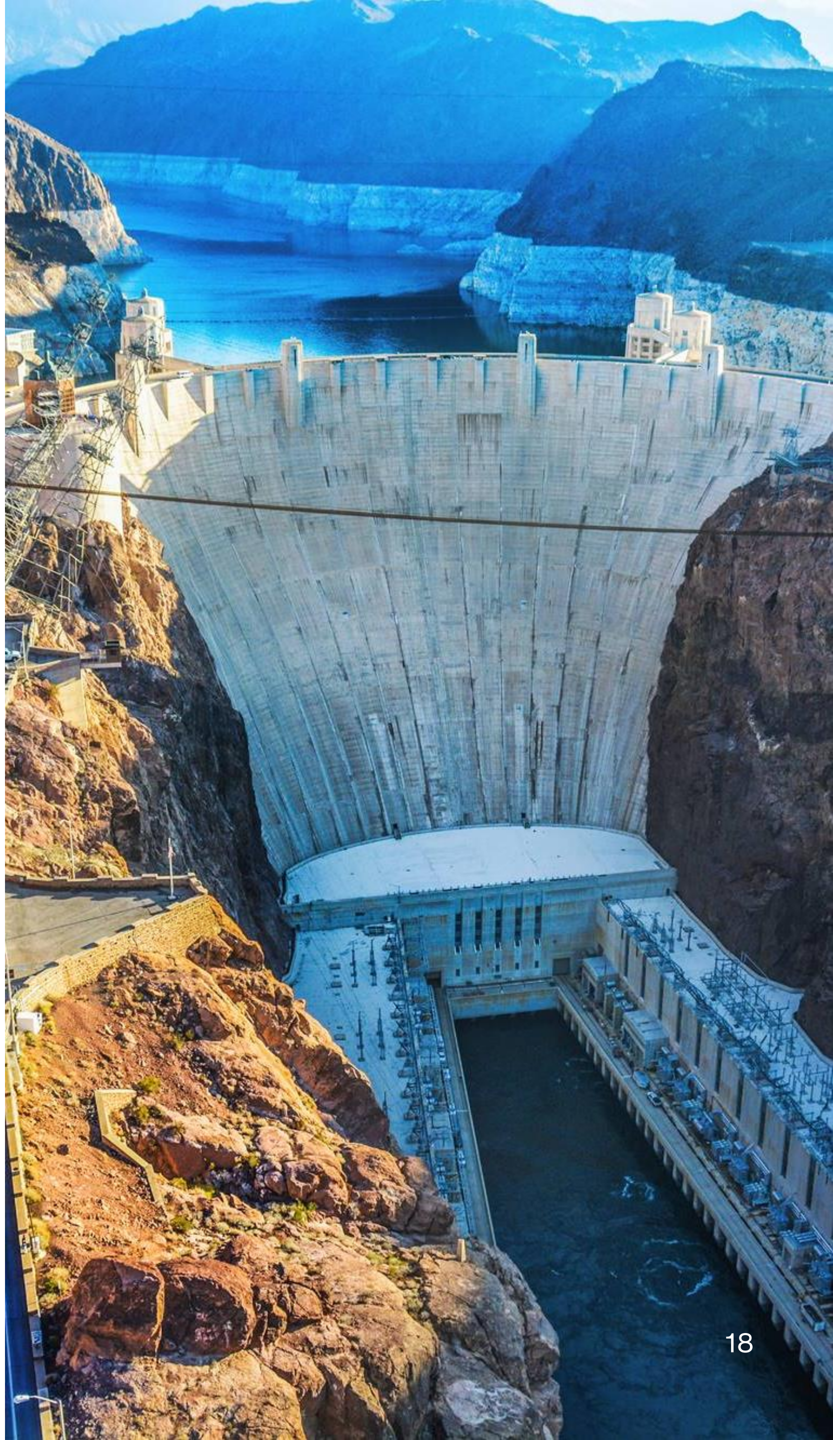
Addenda	• Dan Lavrix (Senior Portfolio Manager, Core Fixed Income) and François Côté (Assistant Portfolio Manager, Corporate Bonds) have left the firm to pursue new opportunities.	Integrated
CC&L	• No significant updates impacting City of Toronto	Integrated
Leith Wheeler	• No significant updates impacting City of Toronto	Integrated
Pier 21 (C. Worldwide)	• No significant updates impacting City of Toronto	Integrated
LGIM	• No significant updates impacting City of Toronto	Advanced
Fiera	• Additions: Jay Li, Senior Equity Analyst and Portfolio Manager, Public Markets, August 2025. • Departures: Imran Chaudhry, Senior Portfolio Manager, Fixed Income, Public Markets, July 2025 Kon-Yu Lau, Senior Portfolio Manager, Fixed Income, Public Markets, July 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.



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Thought Leadership

Market Outlook

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Thought Leadership Summary

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

Managing through Today's Environment for Illiquid Assets

In this paper we address three questions on managing illiquidity risk:

1. What are institutional investors experiencing today with respect to their illiquid assets?
2. How should institutional investors assess portfolio risk when illiquid assets exceed their target allocations?
3. What should institutional investors do to manage their exposures to illiquid assets?

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**

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.

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Appendices

SciBeta Multifactor Benchmark
Asset Allocation Views

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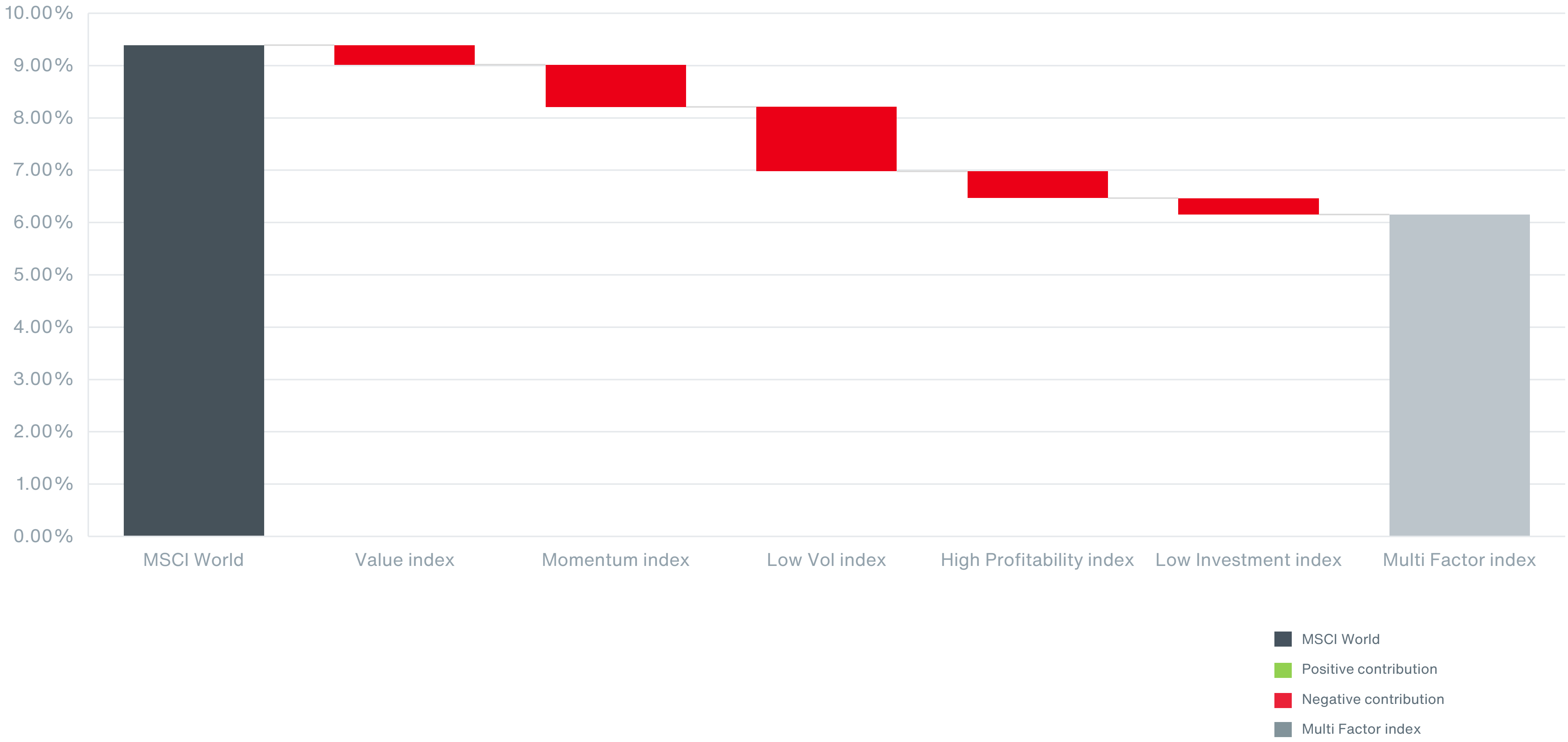
Performance attribution – Scibeta Multi-factor benchmark

1 Quarter – As of September 30, 2025



Performance attribution – Scibeta Multi-factor benchmark

YTD – As of September 30, 2025

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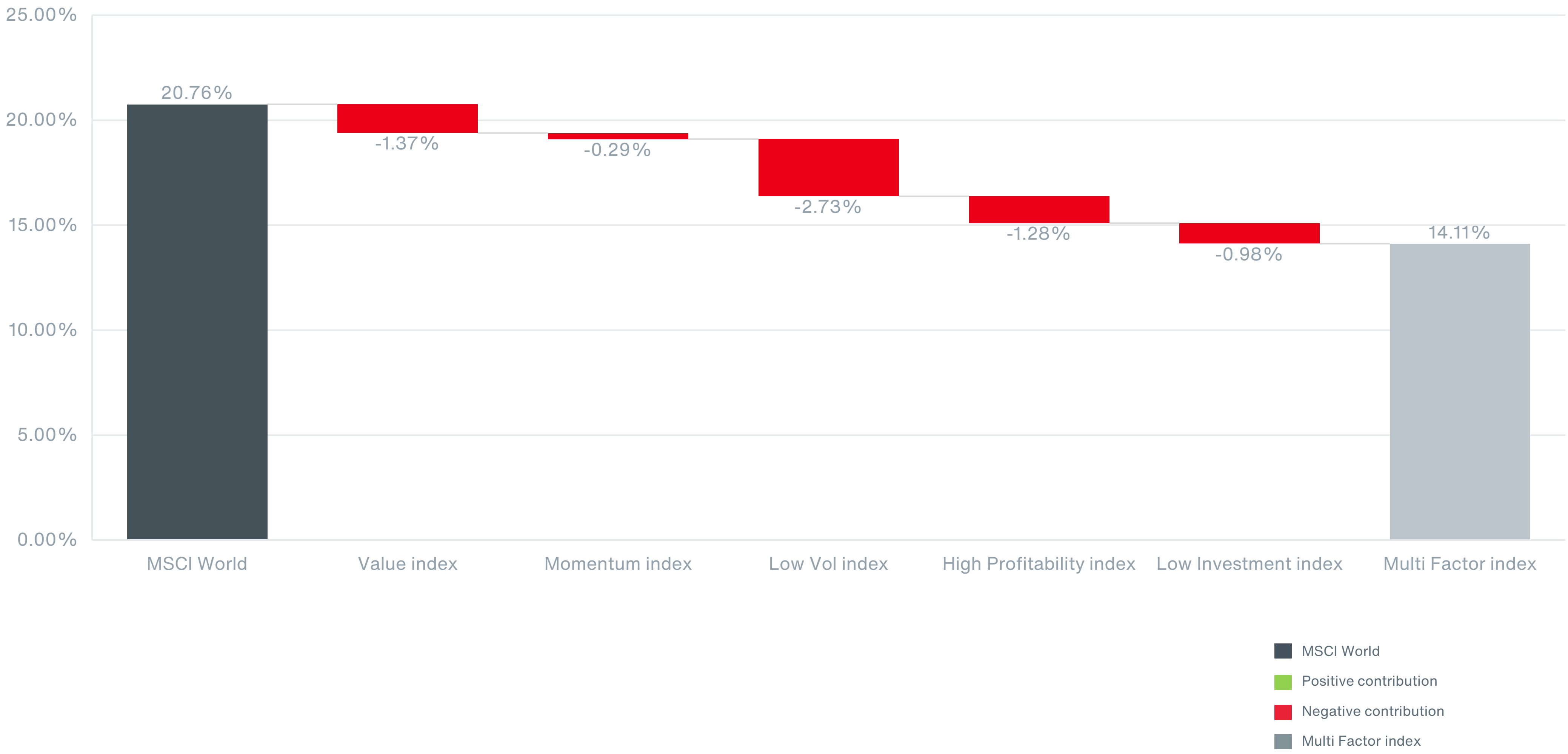
Performance attribution – Scibeta Multi-factor benchmark

1 Year – As of September 30, 2025

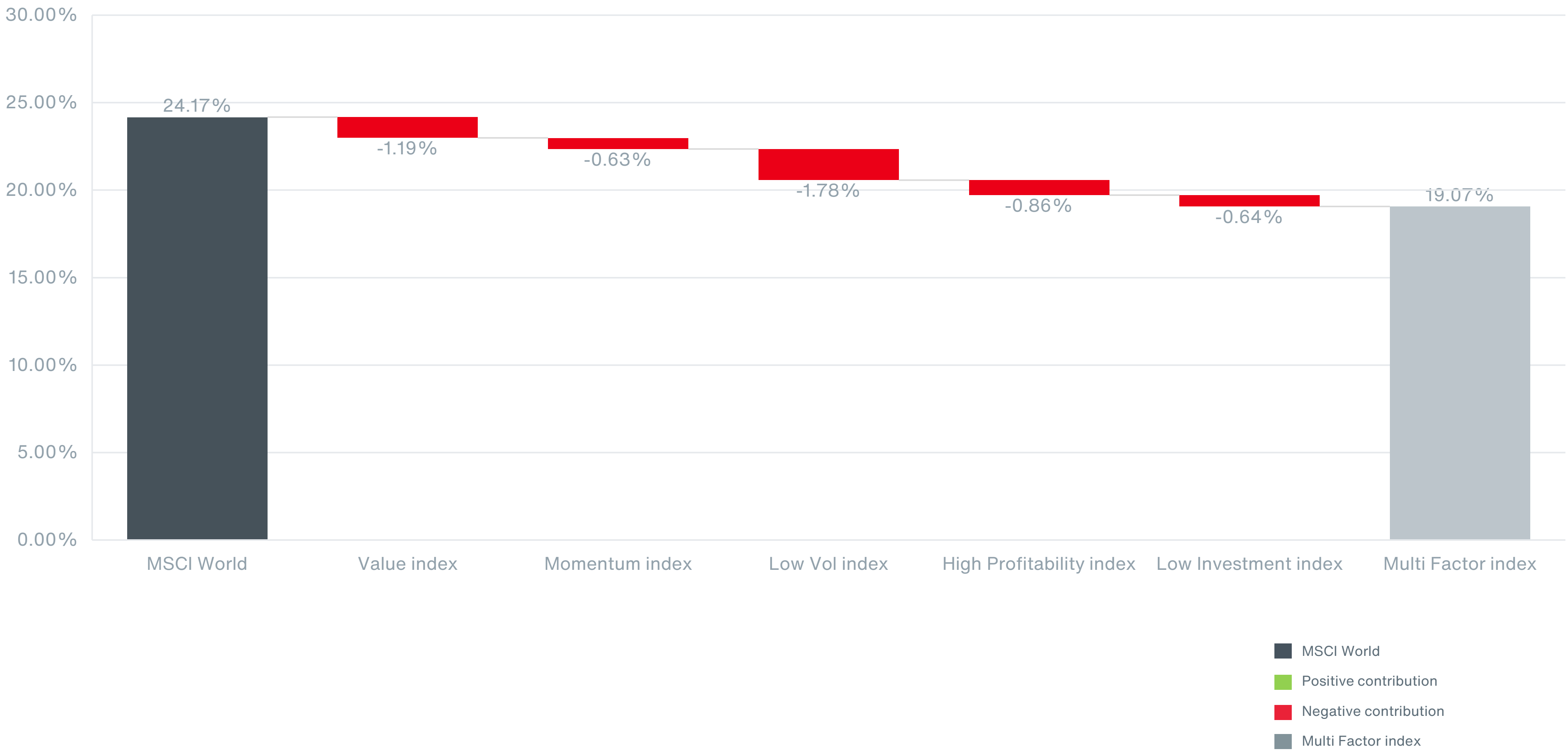


Performance attribution – Scibeta Multi-factor benchmark

2 Year – As of September 30, 2025

Performance attribution – Scibeta Multi-factor benchmark

3 Year – As of September 30, 2025



Performance attribution – Scibeta Multi-factor benchmark

Since Inception* – As of September 30, 2025

- The since inception date is Jan.06, 2021

Cross Asset Heat Map

---	--	-	=	+	++	+++
		Equities				
			U.S. Treasuries			
			Canada Government			
	IG Credit Excess Return					
			IG Securitized Credit			
			Sub IG Securitized Credit			
						Liquid Diversifiers
		HY Corp Excess Return				
					Opportunistic Credit	

Actions

Keep equity allocations close to benchmark

Global equities have rallied this year, led by non-US markets. The U.S. market looks expensive but not at bubble levels just yet. We think the most significant risk is that the U.S. market is highly concentrated and exposed to the A.I. theme. We maintain a single negative stance, favouring better risk-adjusted returns in liquid diversifiers and opportunistic credit.

Bar-bell credit

Spreads on fixed income indices have contracted to levels where there is significant asymmetry for corporate IG. Even securitized credit which offered much higher spreads is less exciting now. For some investors bar-belling credit exposure might be the answer. Have less credit overall but make the credit you do have work harder by allocating to semi-liquid and private strategies.

Talk to your consultant about Liquid Diversifiers

Liquid diversifiers 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.

Opportunistic credit remains attractive

Opportunistic credit can leverage market dislocations to deploy capital into mispriced assets, delivering attractive returns. It has low correlation to traditional bonds or equities, adding portfolio resilience and flexibility across geographies and cycles.

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 4.0%	**Currently neutral** U.S. 10y 4.13%	10 year above 4.5%
High Quality ABS (CLOs act as proxy)	AAA CLOs below 100 bps	**Currently neutral** AAA CLOs below 103 bps	AAA CLOs below 110 bps
Sub-IG ABS (CLOs act as proxy)	BB CLOs below 600 bps	**Currently neutral** BB CLOs below 635 bps	BB CLOs below 650 bps
IG Non-Treasury Spreads	**Currently negative** U.S. Agg Ex-Treas. 50 bps Sterling Non-Gilts 68 bps	U.S. Agg Ex-Treas. 75 bps Sterling Non-Gilts 110 bps	U.S. Agg Ex-Treas 100 bps Sterling Non-Gilts 140 bps
High Yield (HY)	**Currently negative** Global HY 312 bps U.S./European corporate above 288/292 bps	Global HY 400 bps U.S./European corporate above 350 bps	Global HY above 450 bps U.S./European corporate above 400 bps
Leveraged loans	**Currently negative** Lev Loan DM 450 bps	Discount margin above 500 bps	Discount margin above 570 bps
Equities	**Currently negative** S&P 500 6720	S&P 500 below 6350	S&P 500 below 5500

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 securitized credit, for example.

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Source: Bloomberg, J.P. Morgan, ICE, S&P, as of October 9, 2025.

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