

Sinking Fund and Long Term Fund - Performance and Compliance Update for the Fourth Quarter and Full Year 2025

Date: February 28, 2026

To: Toronto Investment Board

From: Director, Capital Markets

Wards: All

SUMMARY

As required by the City's Investment Policy, the purpose of this report is to provide the Toronto Investment Board (Board) with the following:

1. The Sinking Fund and Long Term Fund performance for the fourth quarter and full year of 2025.
2. Investment Policy and Plan Compliance check for the fourth quarter and full year of 2025.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. Toronto Investment Board receive this report for information.

FINANCIAL IMPACT

There are no financial impacts on the City's operating or capital budgets as a result of this report.

DECISION HISTORY

At its meetings held on December 16 and 17, 2025 City Council received the report from the Chief Financial Officer and Treasurer for information. This report provided the performance and compliance for the six month period ending June 2025.

[Agenda Item History - 2025.EX28.11](#)

At its meetings held on December 12, 2025, the Toronto Investment Board adopted the report Sinking Fund and Long Term Fund - Performance and Compliance Update for the Third Quarter of 2025:

[Agenda Item History - 2025.IB14.2](#)

At its meetings held on September 26, 2025, the Toronto Investment Board adopted the report Sinking Fund and Long Term Fund - Performance and Compliance Update for the Second Quarter of 2025:

[Agenda Item History - 2025.IB12.2](#)

At its meetings held on June 24, 2025, the Toronto Investment Board adopted the report Sinking Fund and Long Term Fund - Performance and Compliance Update for the First Quarter of 2025:

[Agenda Item History - 2025.IB11.4](#)

At its meetings held on June 25 and 26, 2025 City Council adopted the report City of Toronto Investment Report for the Year 2024 which provided for a review of the Investment Policy:

[Agenda Item History - 2025.EX24.9](#)

At its meetings held on March 17, 2025, the Toronto Investment Board adopted the report Sinking Fund and Long Term Fund - Performance and Compliance Update for the fourth quarter and full year of 2024:

[Agenda Item History - 2025.IB10.2](#)

At its meetings held on December 17 and 18, 2024 City Council received the report from the Chief Financial Officer and Treasurer for information. This report provided the performance and compliance for the six month period ending June 2024.

[Agenda Item History - 2024.EX19.11 \(toronto.ca\)](#)

COMMENTS

Highlights

The total performance of the Sinking Fund (SF) and Long Term Fund (LTF) as at December 31, 2025, is shown in Table 1 below:

Table 1 - Summary of Performance¹

	Q4	1 year	2 years	3 years	Since inception
Sinking Fund	-0.3%	2.7%	4.6%	6.7%	2.0%
Benchmark	-0.4%	3.9%	5.6%	7.2%	3.0%
Value added	0.1%	-1.2%	-1.0%	-0.5%	-1.0%
Long Term Fund	0.3%	4.7%	6.9%	7.7%	3.8%
Benchmark	0.3%	6.0%	7.5%	8.1%	4.3%
Value added	0.0%	-1.3%	-0.6%	-0.5%	-0.5%

¹ Attachment 1B - Toronto Investment Board - Performance Monitoring Report - Q4 2025 (Aon)

Detailed market value performance information with benchmarks, attribution, and commentaries can be found in the reports prepared by the investment consultant (Aon) in Attachment 1A and 1B. These returns reflect the performance of the external investment managers only and do not include cash and other short term holdings of the Long Term Fund (LTF) and Sinking Fund (SF).

Compliance with the Investment Policy is monitored daily and reported monthly by RBC Investor Services (RBCIS) to the staff in Capital Markets. For the three-month period ending December 31, 2025, the monthly compliance reports prepared by the custodian (RBCIS) and compliance statements prepared by the investment managers have no issues or exceptions noted. These compliance reports are over 100 pages long, and should the Board wish to review this information, we will provide it to them on request. However, any exceptions noted in these compliance reports during the quarter will be provided to the Board for review.

The remainder of this report, along with Attachments 2, 3, and 4 provide further information regarding the funding, flow-of-funds, and other detailed information.

Performance Overview and Cash Flows

Sinking Fund (SF)

Activities and Balances

As of December 31, 2025, assets under external investment managers were \$2.9 billion, and internally managed assets were \$282.4 million for a total of \$3.2 billion. Table 2 below provides a breakdown by investment manager. Internally managed

Sinking Fund and Long-Term Fund-Performance and Compliance Update for Q4 and Year 2025

assets are cash and cash equivalents, which reflect the funds set aside for further investments to be made in real assets. The cash balance is currently higher than usual due to the anticipated \$300 million sinking fund repayment in June 2026. Further information on cashflows in the SF can be found in the Flow of Funds section below.

Table 2 - Breakdown of Sinking Fund by Investment Manager (Market Value) as at December 31, 2025

Asset Class / Investment Manager	Investment Mandate	Target Mix %	Actual Mix %	Balance (\$ millions)
Fixed Income (Canadian)		70.0%	65.8%	\$2,109.7
Addenda	Canadian Fixed Income	35.0%	32.9%	\$1,055.6
Fiera Capital (Fixed Income)	Canadian Fixed Income	35.0%	32.9%	\$1,054.1
Equity		20.0%	20.2%	\$645.8
Fiera/Oakmark/Harris	Global Equity	3.3%	4.1%	\$132.1
Pier 21/CWorldWide	Global Equity	3.3%	4.3%	\$136.5
Fiera Capital GEFF	Global Equity	3.3%	3.6%	\$116.4
LGIM	Global Equity	10.0%	8.2%	\$260.8
Real Assets		10.0%	5.2%	\$166.5
UBS GREF	Real Asset	2.5%	2.6%	\$82.0
CBRE GAF	Real Asset	2.5%	2.6%	\$84.5
Short Term Fund		0.0%	8.8%	\$282.4
Internally Managed	Cash & Equiv.	0.0%	8.8%	\$282.4
TOTAL		100.0%	100.0%	\$3,204.4

Flow of Funds - Sinking Fund

The Sinking Fund's sole purpose is for the repayment of the City's public issued debentures and is required by legislation. In February 2025, \$300 million City of Toronto debt matured which was paid from the Sinking Fund. There were no further debt

maturities for the remainder of 2025. The next debt maturity will be another \$300 million obligation in June 2026.

Attachment 3 provides more detailed information on City of Toronto debt maturities over the next few years in addition to the contributions to the Sinking Fund in 2025 and 2026. There is close to \$545 million total contributions in 2025 and approximately \$537 million total contribution in 2026 at the time of this report. The amount of contributions in 2026 will increase as additional debt issues are completed in 2025. Sinking Fund contributions will be accumulated in the Sinking Fund Short Term Fund and will be reviewed and distributed (re-balanced) as necessary according to the target asset mix guideline on a quarterly basis.

Following the debt repayment in February 2025, a \$186 million re-balancing of the Sinking Fund was completed in May 2025 with another in July 2025 totalling \$150 million.

Another factor to consider for the Sinking Fund is the new debt (debenture) issuance. In the first quarter of 2025, the City of Toronto issued a \$450 million 30-year sinking fund debenture. In the second quarter of 2025, a \$350 million 30-year sinking fund debenture was issued. In the third quarter of 2025, the City issued a \$200 million 10-year sinking fund debenture. In the final quarter of 2025 a \$200 million 30-year sinking fund debenture was issued, for a total of \$1.2 billion in new debenture issuances for 2025.

Table 3 - 2025 Sinking Fund Debenture Issues (\$millions)

Issuance Settlement Date	Maturity Date	Size (\$ millions)
March 11, 2025	March 11, 2055	\$450.0
June 27, 2025	March 11, 2055	\$350.0
September 9, 2025	December 2, 2034	\$200.0
December 4, 2025	October 29, 2054	\$200.0

Long Term Fund (LTF)

Activities and Balances

As of December 31, 2025, external investment managers held \$6.4 billion of invested assets for the Long Term Fund (LTF). When cash balances are included, the LTF has a total balance of \$6.7 billion on December 31, 2025. Internally managed assets are cash and cash equivalents, which reflect the funds set aside for further investments in real assets.

A breakdown of the balances as of December 31, 2025, for the cash and each of the external investment managers of the LTF are provided below in Table 4.

Table 4 - Breakdown of Long Term Fund by Investment Manager (Market Value) as at December 31, 2025

Asset Class / Investment Manager	Investment Mandate	Target Mix %	Actual Mix %	Balance (\$ millions)
Fixed Income (Canadian)		70.0%	68.5%	\$4,562.9
Connor, Clark, & Lunn	Canadian Fixed Income	35.0%	34.1%	\$2,272.9
Leith Wheeler	Canadian Fixed Income	35.0%	34.4%	\$2,290.0
Equity		20.0%	22.9%	\$1,526.7
Fiera/Oakmark/Harris	Global Equity	3.3%	3.7%	\$246.6
Pier 21/CWorldWide	Global Equity	3.3%	4.0%	\$270.1
Fiera Capital GEFF	Global Equity	3.3%	4.0%	\$263.2
LGIM	Global Equity	10.0%	11.2%	\$745.8
Real Assets		10.0%	5.3%	\$354.6
UBS GREF	Real Asset	2.5%	2.6%	\$174.2
CBRE GAF	Real Asset	2.5%	2.7%	\$180.4
Short Term Fund		0.0%	3.3%	\$218.4
Internally Managed	Cash & Equiv.	0.0%	3.3%	\$218.4
TOTAL		100.0%	100.0%	\$6,662.6

Earned Income Requirement Update

The earned income performance only considers actual earned income from interest, dividends, capital gains/losses and other realized income. It does not include unrealized capital gains which are included in market value (total return) performance. The earned income methodology is calculated for budget purposes.

The City of Toronto's Accounting Services Division (ASD) has converted their accounting and reporting under Public Sector Accounting Standards (PSAS) 3450 to a "fair value" (FV) methodology. The earned income calculation is no longer required by the ASD and will no longer be reported. Instead, the ASD has adopted a process to focus on the market value of investments. This method aligns with the "total return" (market value) review that is used by the Board.

It should be noted that for budget purposes, the earned income performance is still used and monitored.

The estimated gross earned income from LTF budgeted for in 2025 budget is approximately \$180 million after expenses and may be drawn from the available investment funds for operating budget as well as interest contribution to reserve funds. As of December 31, 2025, estimated earned was approximately \$236 million and show a positive variance for budget purposes.

Flow of Funds - Long Term Fund

As reported in December 2019, \$500 million of deemed excess liquidity was transferred to the LTF on November 1, 2019, from the Short Term Fund (STF). The STF is a liquidity pool of cash and cash equivalents managed by staff in the Capital Markets group and is used for operating purposes under the Chief Financial Officer and Treasurer (CFO&T). The \$500 million in 2019 was allocated as per asset mix outlined in the Board approved Investment Plan.

There was an additional \$500 million of projected excess available for transfer from the STF to the LTF planned for April 2020. However, due to the pandemic situation, this amount was no longer considered as excess liquidity and, as a result, was not transferred to the LTF. Staff continued to re-assess the City's liquidity position periodically and advise the CFO&T accordingly.

A total of \$2 billion was transferred from STF to the LTF in four quarterly installments during 2024. The proceeds from the transfer were used to re-balance the asset mix toward the targets outlined in the Council-adopted Investment Policy as well as partially fund the new investments in real assets.

Given the City's current liquidity position and anticipated cash needs, staff continued to reassess and monitor liquidity levels and will advise the CFO&T when a transfer from the LTF to the STF would be required in 2026.

Investment Policy and Plan Compliance

According to provincial regulations, the Investment Policy must be reviewed by City Council at least annually. Council last received the Investment Policy in June 2025 with the Investment Report for the Year 2024. At this meeting, there were no recommendations to update or change the policy.

The City's auditor, KPMG LLP, completed the Investment Policy Compliance audit for 2024 during the second half of 2025 and reported that no issues were noted. The next audit, covering 2025, will be conducted in the second half of 2026.

Compliance to the Investment Policy is monitored daily and reported monthly by RBC Investor Services (RBCIS) to the staff in Capital Markets. For the three-month period ending December 31, 2025, the monthly compliance reports prepared by the custodian (RBCIS) and compliance statements prepared by the investment managers have no issues or exceptions noted. Detailed reports are available upon request and any noted issues or exceptions during the quarter will be reported directly to the Board at their next meeting.

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SIGNATURE

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Director, Capital Markets

ATTACHMENTS

Attachment 1A - Toronto Investment Board - Discussion Guide (Aon) - Q4 2025
Attachment 1B - Toronto Investment Board - Performance Monitoring Report - Q4 2025
Attachment 2 - Historical Funding to Investment Managers (Contributions Withdrawals)
Attachment 3 - Flow of Funds (Sinking Fund)