FIRST QUARTER 2026 REVIEW

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June 22, 2026

CITY OF TORONTO INVESTMENT BOARD

EXECUTIVE SUMMARY

CURRENT ENVIRONMENT

- Global economy facing numerous shocks (oil prices, tighter financial conditions)
- Canadian growth slowing, while inflation seeing broadly soft increases so far
- US nominal GDP remains robust
- Monetary policymakers facing challenging decisions

PERFORMANCE

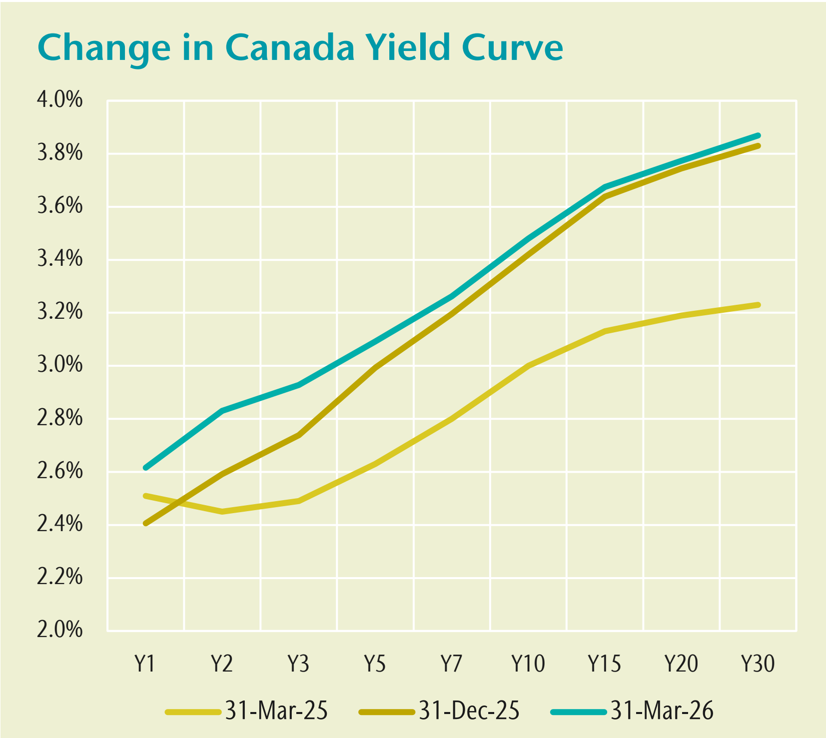
- Short term yields rising, spreads still tight
- Added value in 2025 arising from interest rate decisions and sector
- Performance in Q1 2026 slightly ahead of benchmark

POSITIONING

- Yield curve: opportunistic positioning
- Sector: cautious optimism

BOND MARKET REVIEW

As of March 31, 2026



Source: Bank of Canada, Macrobond

Source: FTSE Global Debt Capital Markets Inc., Connor, Clark & Lunn Investment Management Ltd.
Shaded area denotes Q1 2026.

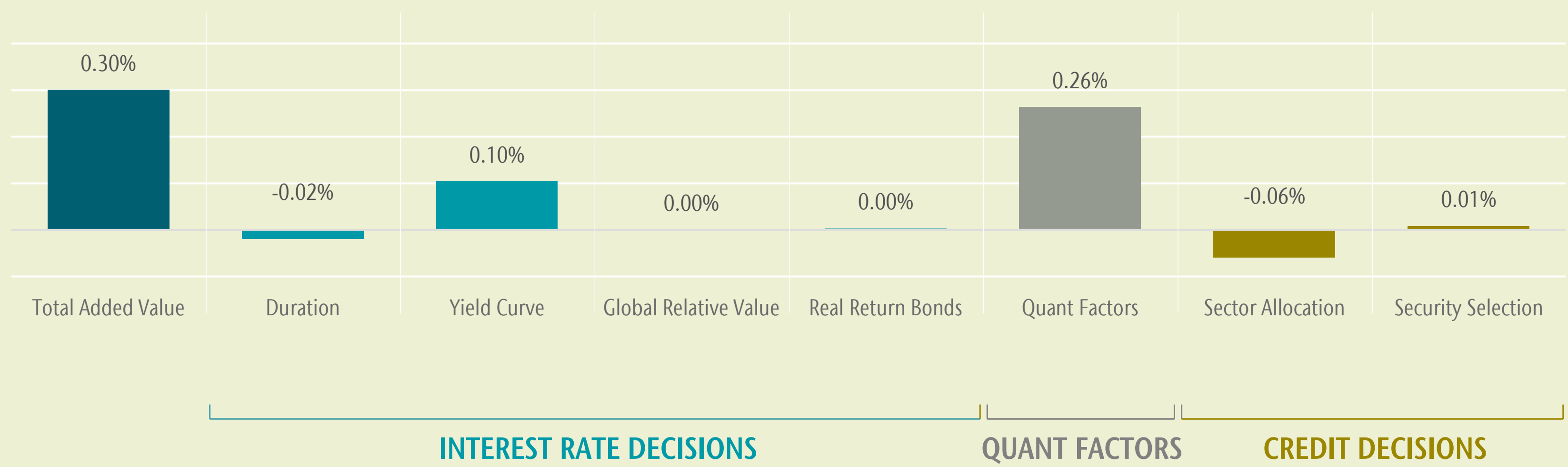
Short term bond yields rose; during the quarter credit spreads widened

PERFORMANCE AND ATTRIBUTION

	2026 (%)	Annualized Returns to March 31, 2026 (%)	
	Q1	1 YR	Since Inception
City of Toronto	**0.28**	**1.14**	**1.55**
Benchmark *	0.23	0.84	1.06
Added Value	**0.05**	**0.30**	**0.49**

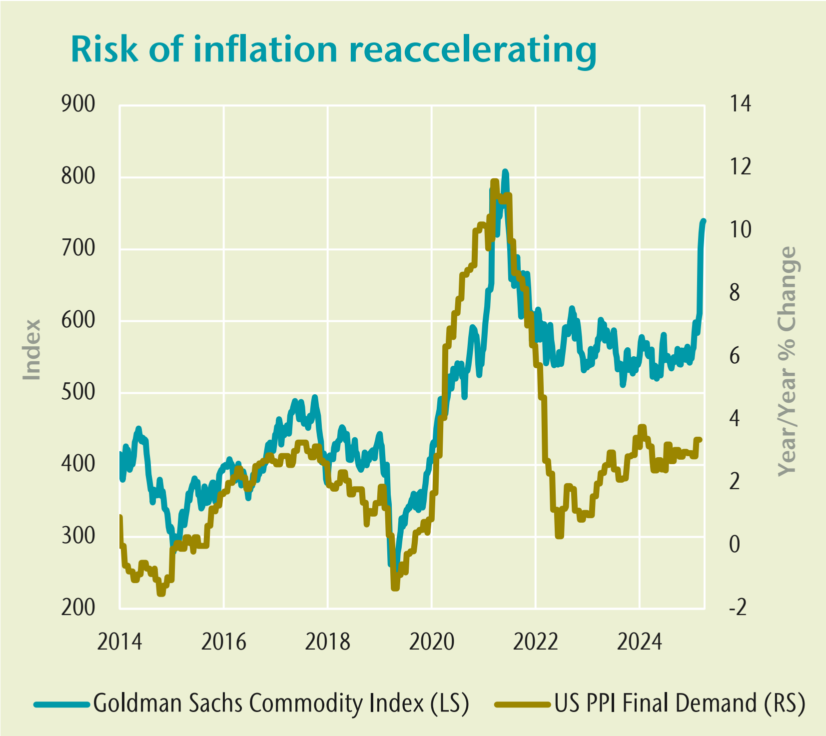
* FTSE Canada Universe Bond Index
Inception Date: June 28, 2019
All returns are gross of fees except where noted. Added value may differ due to rounding.
Source: Connor, Clark & Lunn Financial Group Ltd.

1 Year Attribution

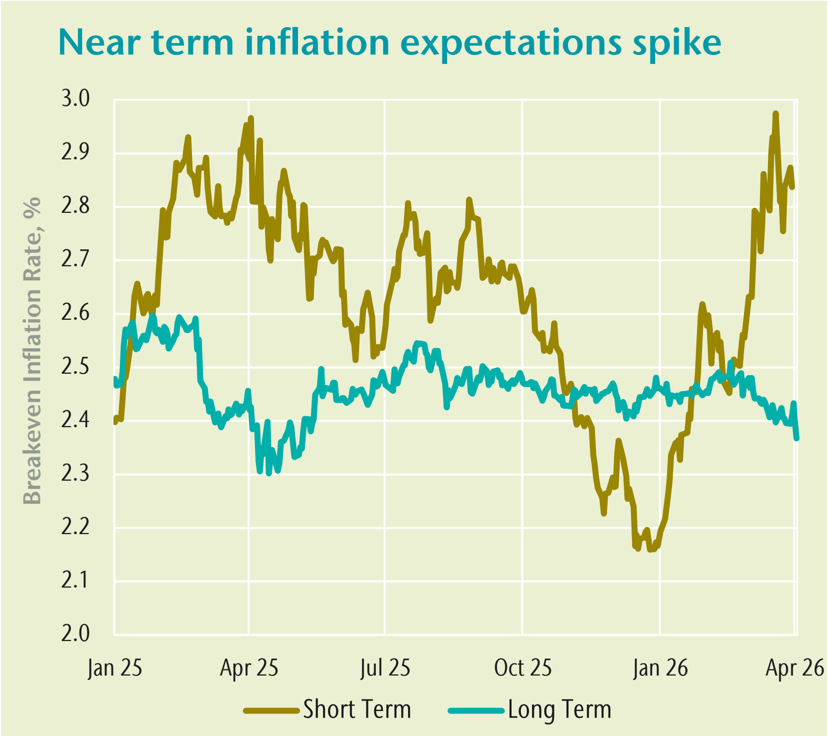


ECONOMIC OUTLOOK

INFLATION EXPECTATIONS – LONG TERM STABILITY IS A LIFELINE



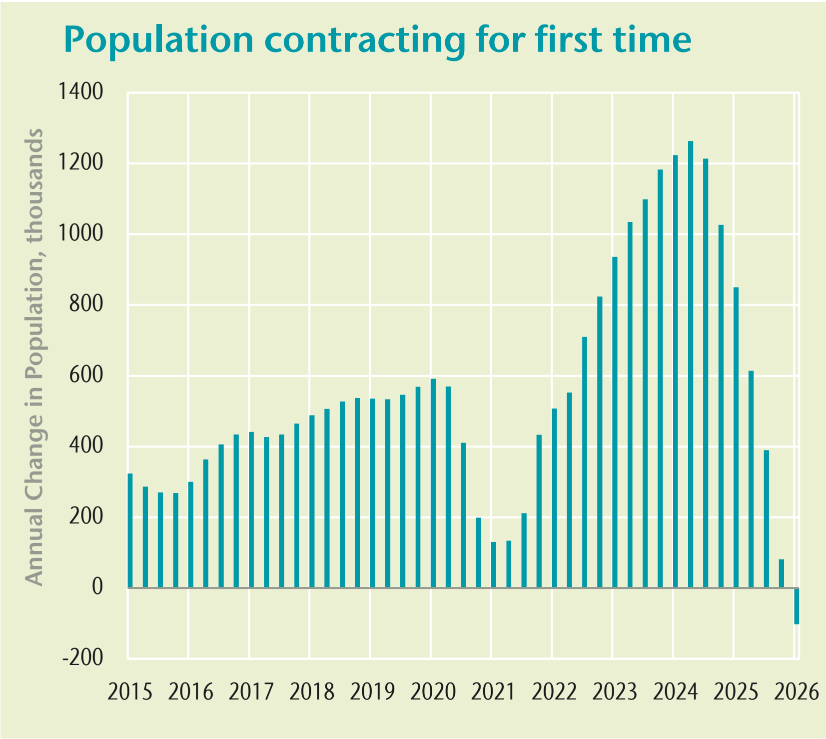
Implied inflation rate over 2 years
Source: Goldman Sachs, BLS, Macrobond



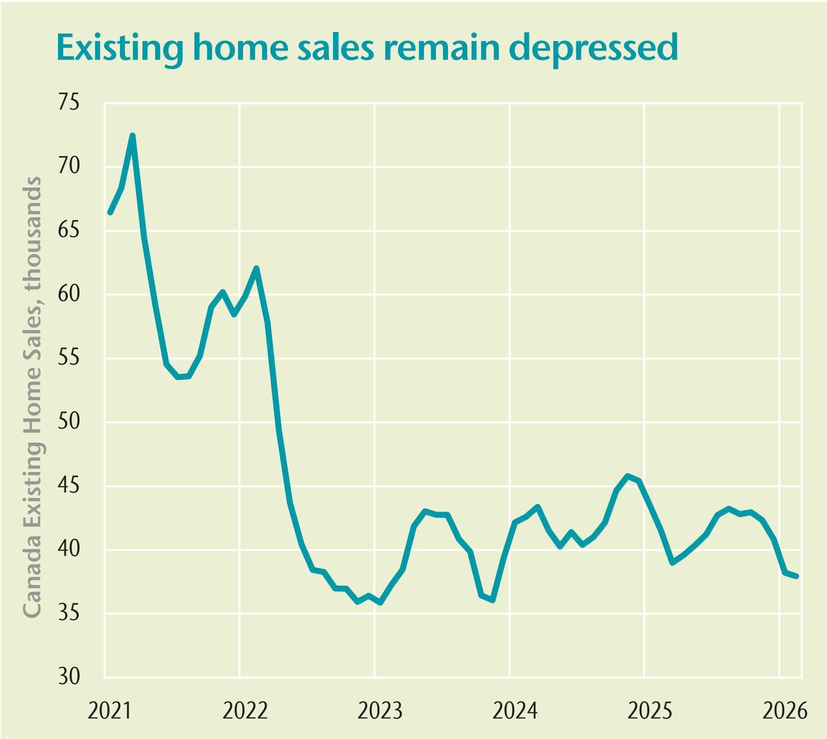
Implied inflation rate over 2 years and 10 years
Source: Bloomberg

A rise in long-term inflation expectations would be a concern

ECONOMY SLOWING, ALLEVIATING INFLATION PRESSURE



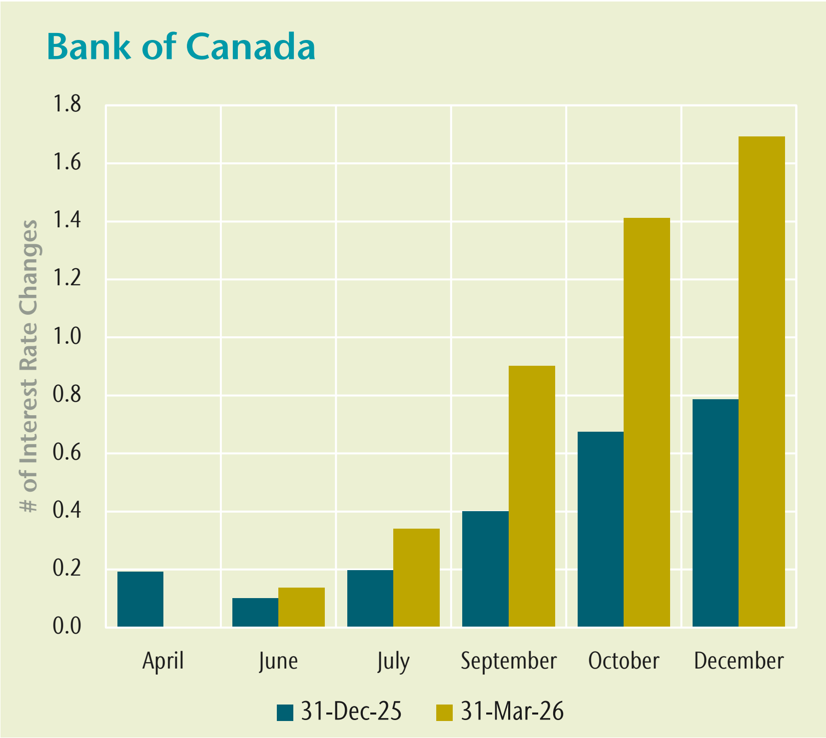
Source: StatsCan, Macrobond



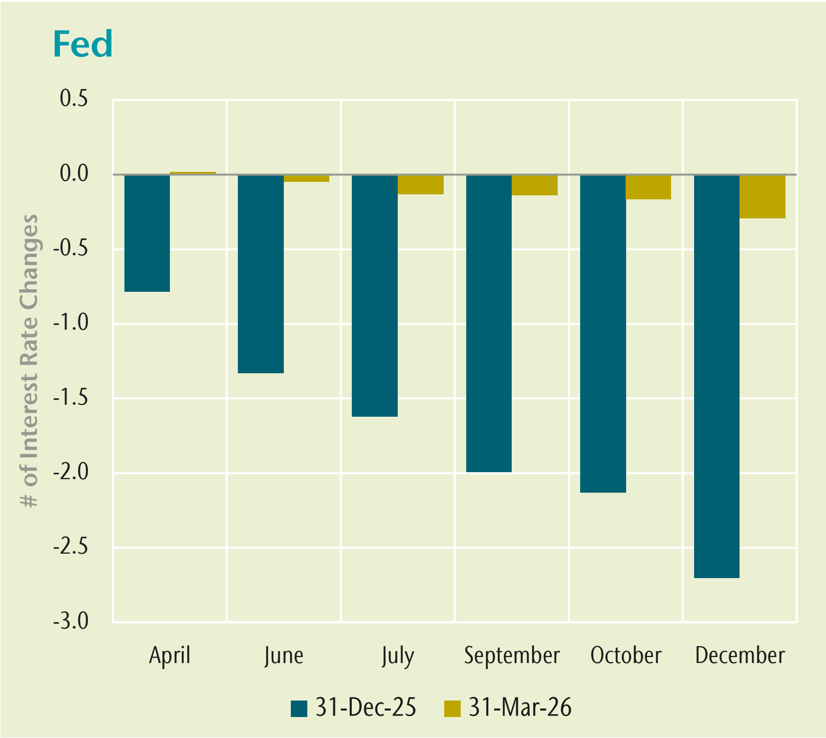
Source: CREA, Macrobond

BoC will be hard pressed to raise rates in the current backdrop

MONETARY POLICY CONSTRAINED



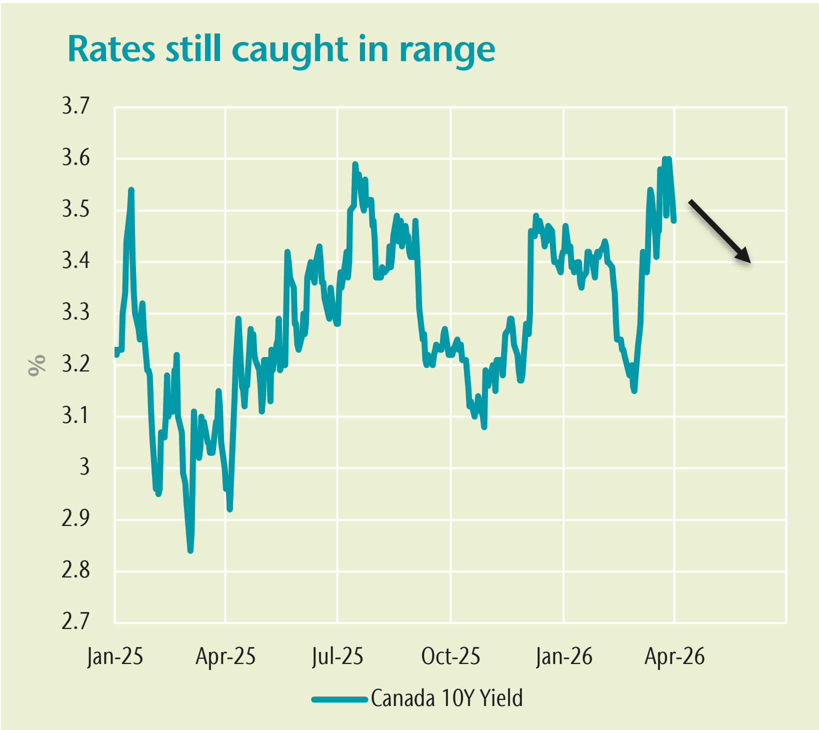
Source: Bloomberg



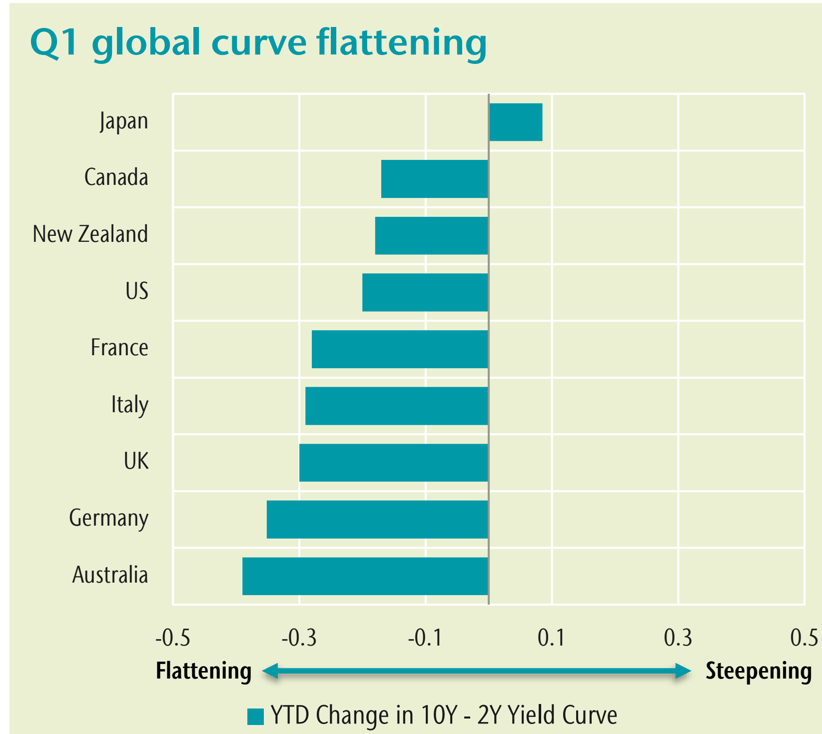
Source: Bloomberg

Inflation concerns limit scope for easing; downside growth risks prevent hikes

RATES: OPPORTUNITY IN DURATION, CURVE LESS DIRECTIONAL



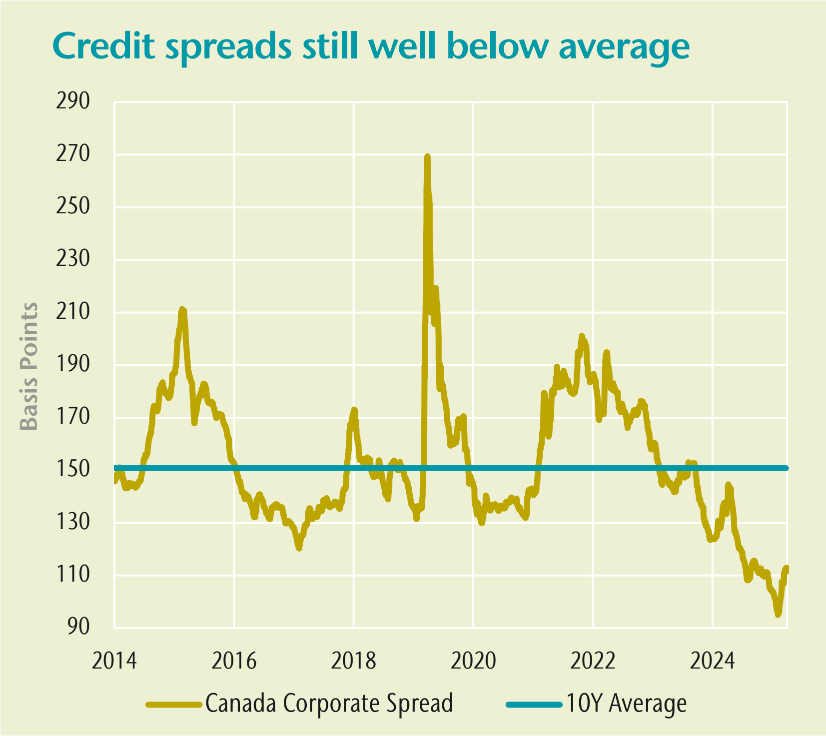
Source: BoC, Macrobond

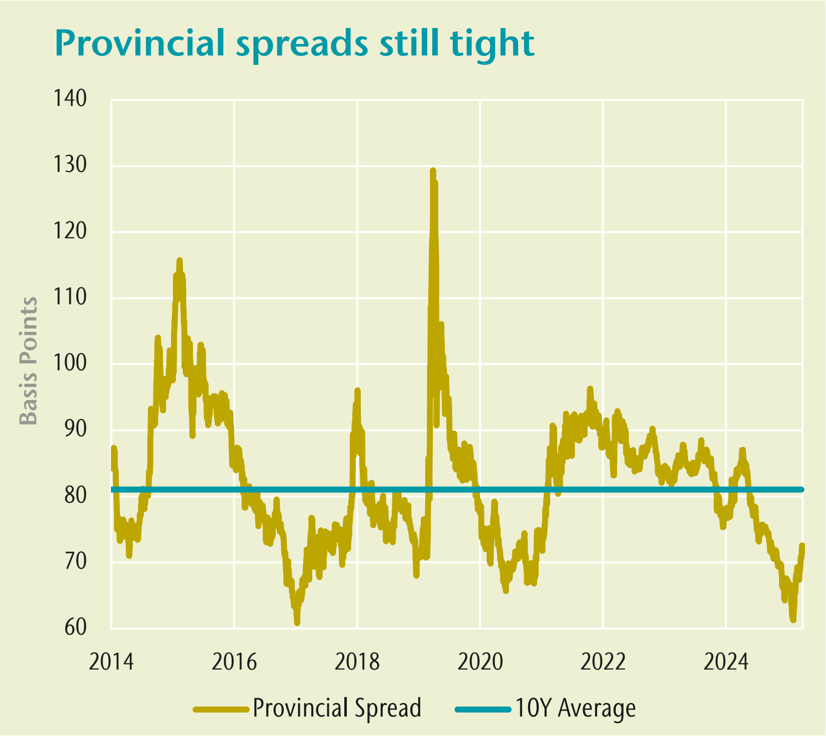


Source: Macrobond

Tactical duration and curve exposure

CREDIT: NEUTRAL ON CREDIT OVERALL





Source: FTSE Global Debt Capital Markets Inc., Connor, Clark & Lunn Investment Management Ltd.

Spreads remain tight in an uncertain environment

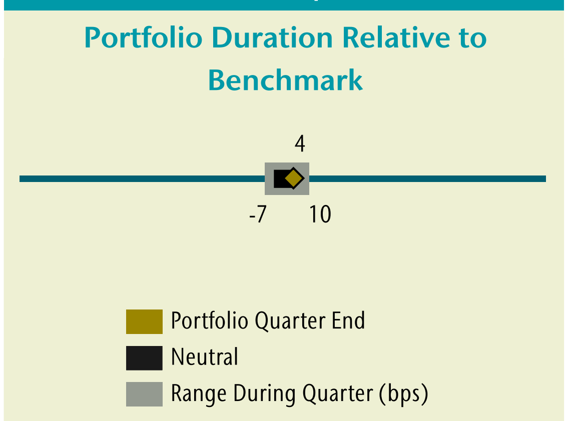
APPENDIX

FIXED INCOME STRATEGY

	Weightings (%)			Contribution to Duration**		
March 31, 2026	**Portfolio**	**Benchmark***	**Over/Under**	**Portfolio**	**Benchmark***	**Over/Under**
Corporate AAA/AA	1.3	1.7	-0.4	0.0	0.1	0.0
Corporate A	14.8	11.3	3.5	0.4	0.7	-0.3
Interest Rate Swaps	0.0	0.0	0.0	0.0	0.0	0.0
Cash & Equivalents***	0.7	0.0	0.7	0.0	0.0	0.0
Total	**100.0**	**100.0**	**0.0**	**6.9**	**6.8**	**0.0**
Average Yield	**3.8%**	**3.7%**	**0.1%**			
Average Term (Years)	**9.4**	**9.4**	**0.1**			
Average Quality	**AA**	**AA**				

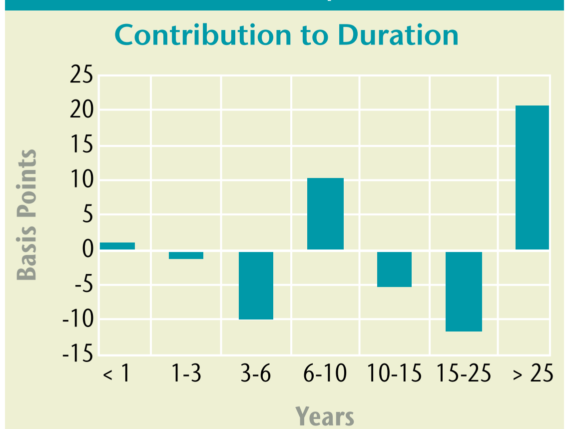
*Benchmark: FTSE Canada Universe Bond Index
**Sensitivity measure to change in interest rates
***Cash excluding collateral for derivatives = 0.7%

Duration Exposure

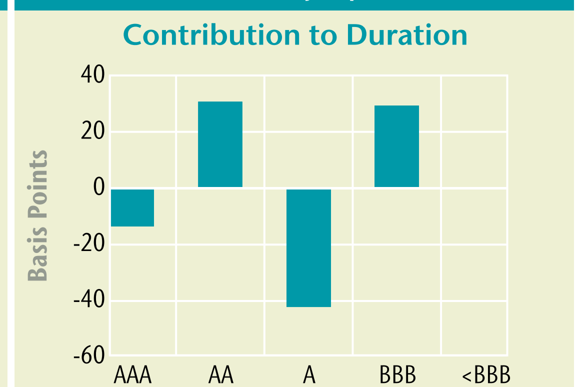


Source: Connor, Clark & Lunn Financial Group Ltd.

Yield Curve Exposure



Overall Quality Exposure*



* Based on FTSE Canada methodology

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