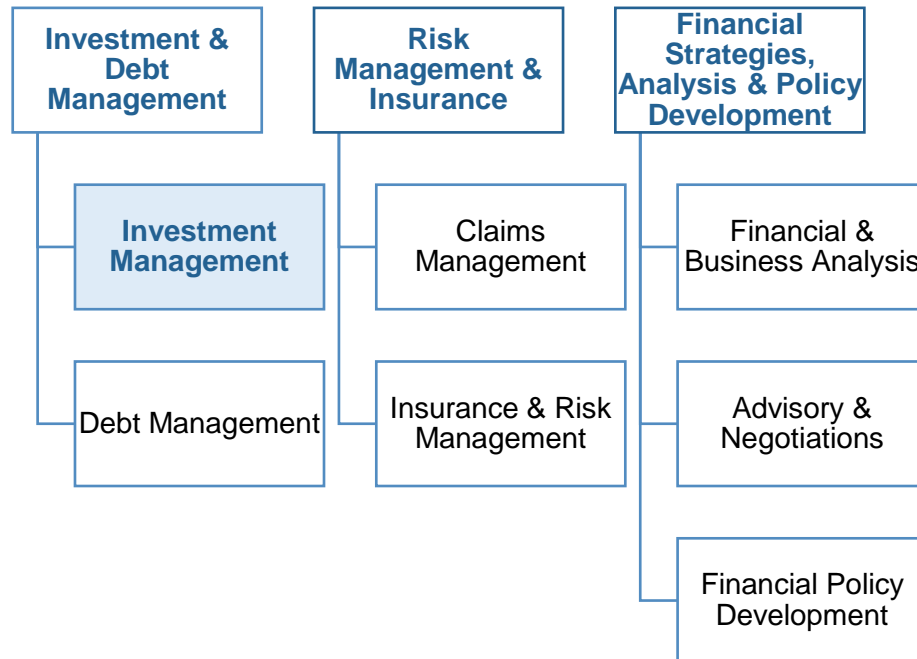


INVESTMENT MANAGEMENT SERVICES

PROGRAM MAP

Corporate Finance



Shaded boxes reflect the activities covered in this report

Investment management services are provided in Toronto by the Capital Markets section of the Corporate Finance division, which is responsible for the internal investment management of several City investment portfolios.

In accordance with a Toronto City Council-approved directive, City funds are managed in a manner that seeks to provide the highest investment return consistent with the maximum security of principal, while meeting the City's cash requirements and conforming to all legislation governing investment of the City's funds.

SUMMARY OF PERFORMANCE MEASUREMENT RESULTS

Question	Indicator/Measure	Internal Comparison of Toronto's 2016 vs. 2015 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2016	Chart & Page Ref.
Quality Measures				
How safe are Toronto's investments?	Credit Ratings of the Longer-Term Bond Portfolio.	Credit Ratings of Bond Portfolio AAA/AA Rated (99.9%)	N/A	16.2 pg. 5
Efficiency Measures				
What rate of return are Toronto's investments earning?	Gross Fixed Income Yield on Book Value – (Efficiency)	Stable Rate of return on investments was stable	2 High rate of return on investments compared to others	16.1 16.3 pg. 4/5
How much does it cost to manage the city's investments?	Management Expense Ratio– (Efficiency)	Stable and Low Cost to manage investments continues to be very low and stable	1 Lower cost to manage investments compared to others	16.4 16.5 pg. 6/7
Overall Results	Service Level Indicators (Resources)	Performance Measures (Results)	Service Level Indicators (Resources)	Performance Measures (Results)
	N/A	<div style="font-size: small;"> 1 - Favourable 1 - Stable 0 - Unfavourable </div> 100% favourable or stable	N/A	<div style="font-size: small;"> 1 - 1st quartile 1 - 2nd quartile 0 - 3rd quartile 0 - 4th quartile </div> 100% in 1st and 2nd quartiles

For an explanation of how to interpret this summary and the supporting charts, please see the Guide to Toronto's Performance Results. These quartile results are based on a maximum sample size of 14 municipalities.

QUALITY/EFFICIENCY

The primary objectives for all of Toronto's investment activities in order of priority are:

- Ensuring safety of principal;
- Maintaining adequate liquidity to fund the City's daily cash needs; and
- Maximizing the rate of return while conforming to the first and second objectives.

To ensure that the investments made by Toronto are safe, the General Fund is comprised of bonds from governments, institutions and corporations with high credit ratings.

16.1 – WHAT RATE OF RETURN IS TORONTO EARNING ON ITS INVESTMENTS?

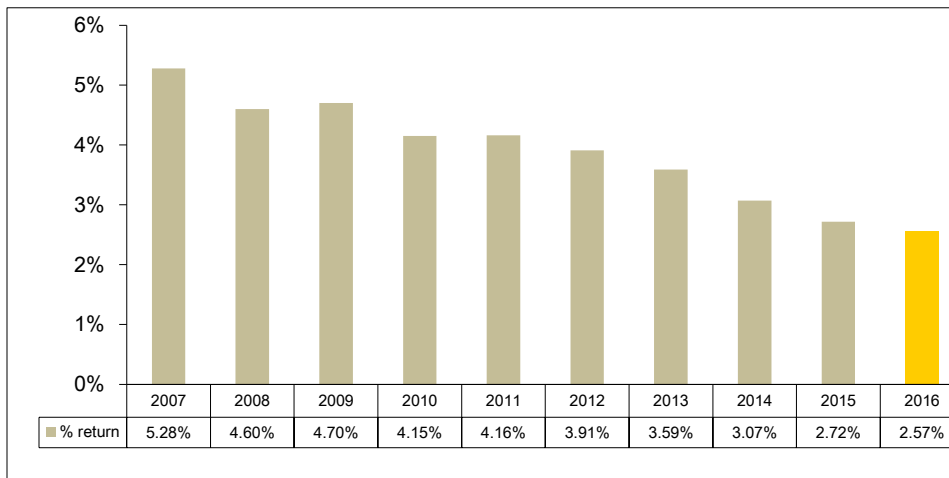


Chart 16.1 summarizes Toronto's gross fixed income yield (rate of return) on the book value of its investments.

Chart 16.1 (City of Toronto) Gross Fixed Income Yield on Book Value

Results in 2016 was relatively stable compared to 2015. Indeed, interest rates made new historic lows in 2016.

16.2 – HOW SAFE ARE TORONTO'S INVESTMENTS?

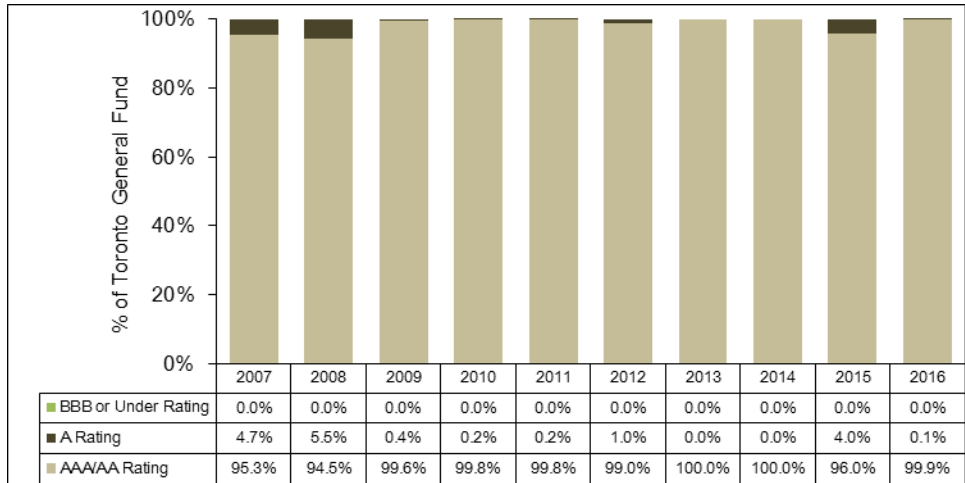


Chart 16.2 shows the proportion of these bonds with an AAA or AA rating is very high.

Chart 16.2 (City of Toronto) Credit Ratings of the General Fund

In 2016, in relation to the previous year:

- AAA/AA rated investments increased by 3.9%,
- A rated investments decreased by 3.9%,

16.3 – HOW DOES TORONTO'S RATE OF RETURN ON INVESTMENTS COMPARE TO OTHER MUNICIPALITIES?

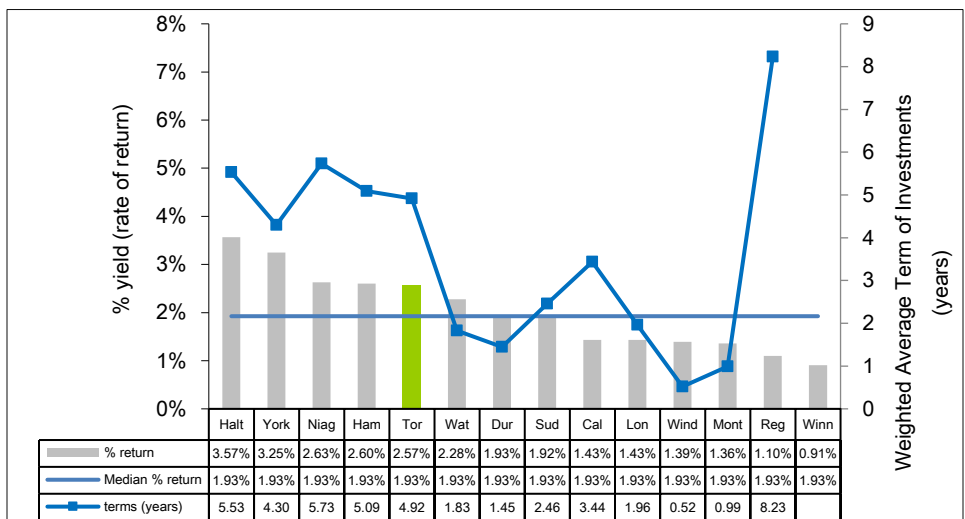


Chart 16.3 compares Toronto's 2016 yield (return) on investments (bars) to other municipalities.

Chart 16.3 (MBNC 2016) Gross Fixed Income Yield on Book Value and Weighted Average Portfolio Term in Years

In terms of the highest rate of return, Toronto ranks fifth of fourteen (second quartile). The Chart also shows the weighted average investment term (in years) of the portfolio plotted as a line graph relative to right axis. The municipalities with higher returns than Toronto also tend to invest for longer terms. The longer the term of an investment is, the more susceptible it is to

rising interest rates, and decreases in the value of the investment. Usually the risk of having a longer term to maturity is compensated for by a higher return.

In addition to the length/term of the investment impacting the rate of return, it can also be influenced by the credit rating and asset mix of the underlying investment bonds (the lower the credit rating of the issuing organization, the higher the rate of return will be on the bonds to compensate for that risk). Asset mix is another important factor that drives the rate of return which is not considered in the OMBI study. For example, City of Toronto has less exposure to riskier asset classes, eg corporate bonds and equities, than some other peers with higher rate of return. As noted in Chart 16.2, Toronto has invested in a very safe bond portfolio, yet has also achieved a rate of return well above the MBNC median.

Toronto also strives to keep its cost of managing these investments low. These costs include both direct and indirect cost. When expressed as a proportion of the investment value, this cost is referred to as the Management Expense Ratio (MER).

16.4 – HOW MUCH DOES IT COST IN TORONTO TO MANAGE THE CITY'S INVESTMENTS?

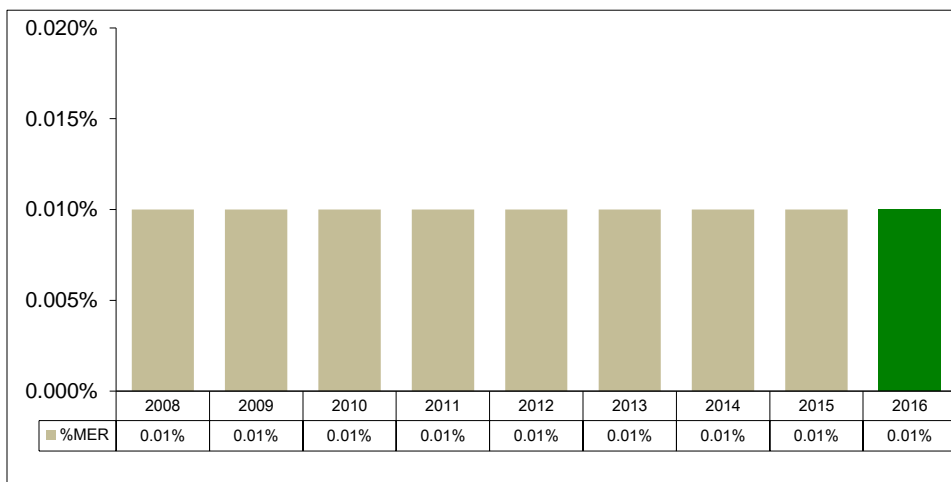


Chart 16.4 shows Toronto's cost to manage investments continues to be very low and stable, representing just 0.01 percent of the investment value in 2016. The long-term trend is also stable at -0.01% since 2008.

Chart 16.4 (City of Toronto) Management Expense Ratio

16.5 – HOW DOES TORONTO'S COST TO MANAGE INVESTMENTS COMPARE TO OTHER MUNICIPALITIES?

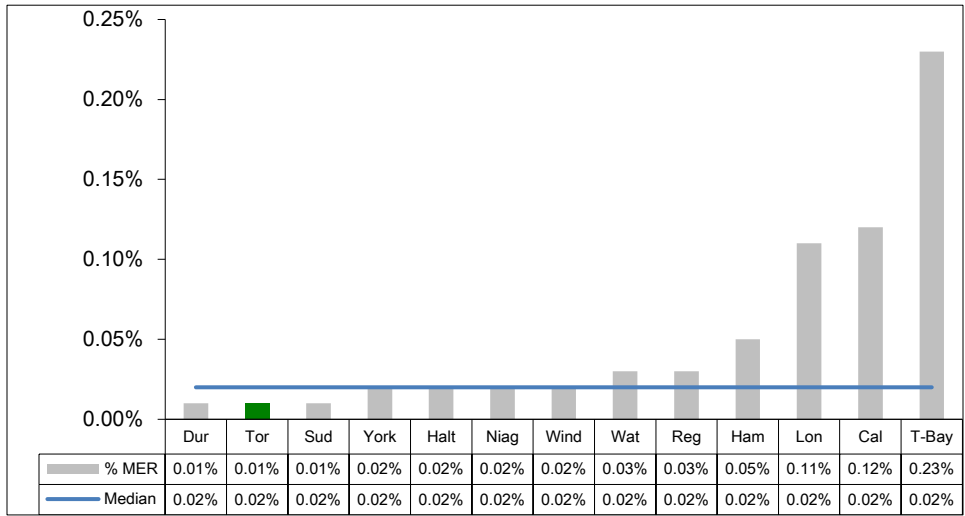


Chart 16.5 reflects Toronto's 2016 MER compared to other municipalities. Toronto is second of thirteen municipalities (first quartile) in terms of having the lowest investment management costs.

Chart 16.5 (MBNC 2016) Management Expense Ratio

It is noteworthy that even though Toronto has the second lowest investment management costs (Chart 16.4) and a very safe bond portfolio (Chart 16.2) it also has a rate of return much higher than the MBNC median (Chart 16.3).

Influencing Factors

Each municipality's results are influenced to varying degrees by a number of factors including:

- Asset mix (different types of investments);
- Availability of investment products;
- Amount of funds being invested;
- Cash inflows and outflows;
- Type of investment management (in-house vs. the use of external managers and brokers);
- Strategies employed (active vs. passive investment)
- Duration (term) of the investment portfolio