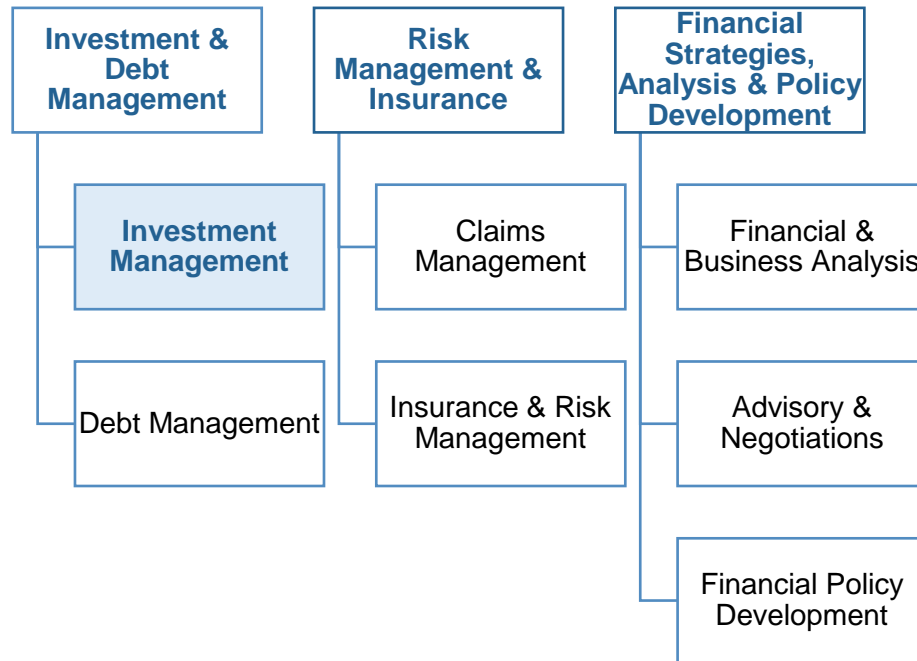


INVESTMENT MANAGEMENT SERVICES

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 2017 vs. 2016 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2017	Chart & Page Ref.
How safe are Toronto's investments?	Credit Ratings of the Longer-Term Bond Portfolio. (Quality Measures)	Credit Ratings of Bond Portfolio AAA/AA Rated (100%) (Quality Measures)	N/A	16.2 pg. 5
What rate of return are Toronto's investments earning?	Gross Fixed Income Yield on Book Value – (Efficiency)	Stable Rate of return on investments was relatively stable (Efficiency)	2 Higher rate of return on investments compared to others (Efficiency)	16.1 16.3 pg. 4/5
How much does it cost to manage the city's investments?	Total Fund Management Expense Ratio– (Efficiency)	Stable and Low Cost to manage investments continues to be very low and stable (Efficiency)	1 Lower cost to manage investments compared to others (Efficiency)	16.4 16.5 pg. 6/7

SUMMARY OF OVERALL RESULTS

Internal Comparison of Toronto's 2017 vs. 2016 Results	Internal Comparison of Toronto's 2017 vs. 2016 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2017	External Comparison to Other Municipalities (MBNC) By Quartile for 2017
Service Level Indicators (Resources) N/A	Performance Measures (Results) <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 100%; text-align: center;"> <div style="background-color: #008000; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: #ffcc00; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: #ff0000; width: 100%; height: 10px;"></div> </div> <div style="width: 100%; text-align: center; font-size: 8px;"> 1 - Favourable 1 - Stable 0 - Unfavourable </div> </div> 100% favourable or stable	Service Level Indicators (Resources) N/A	Performance Measures (Results) <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 100%; text-align: center;"> <div style="background-color: #008000; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: #92d050; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: #ffcc00; width: 100%; height: 10px; margin-bottom: 2px;"></div> <div style="background-color: #ff0000; width: 100%; height: 10px;"></div> </div> <div style="width: 100%; text-align: center; font-size: 8px;"> 1 - 1st quartile 1 - 2nd quartile 0 - 3rd quartile 0 - 4th quartile </div> </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 15 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?

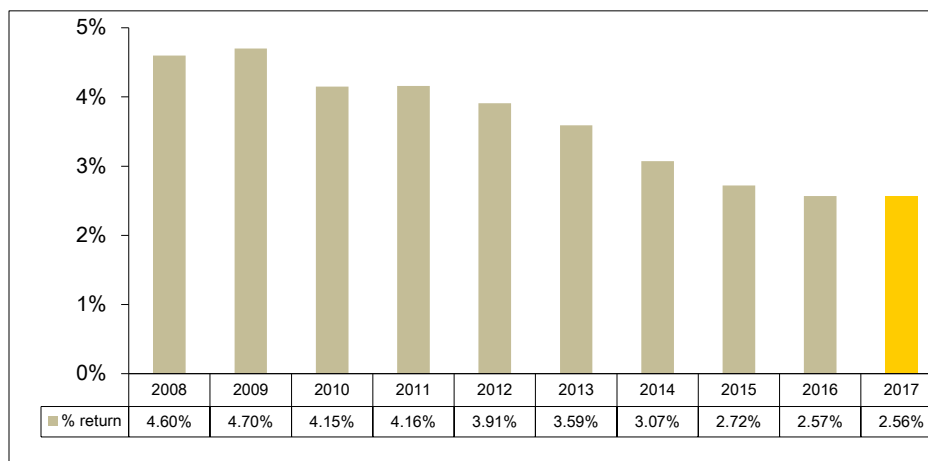


Chart 16.1 summarizes Toronto's gross fixed income yield (rate of return) on the book value of its investments.

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

Results in 2017 was relatively stable compared to 2016. Indeed, interest rates made new historic lows in 2017.

16.2 – HOW SAFE ARE TORONTO'S INVESTMENTS?

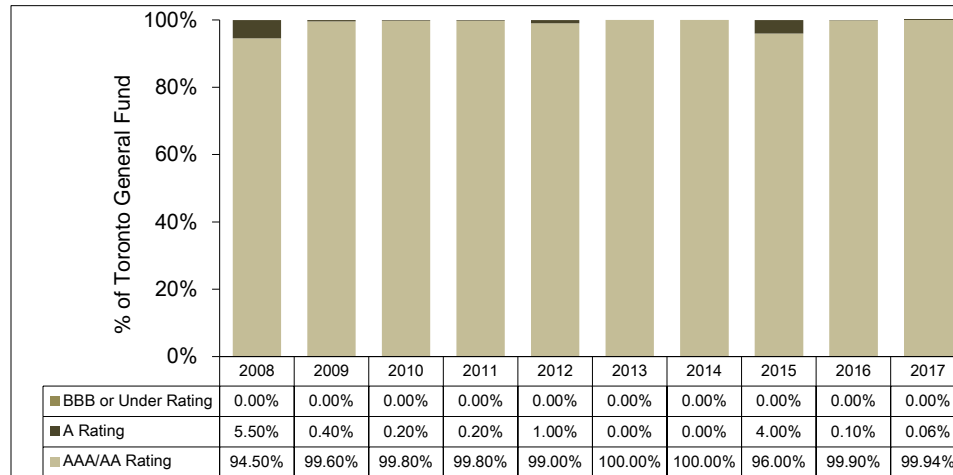


Chart 16.2 shows the proportion of these bonds with an AAA or AA rating is very high. Over the long term, Toronto's investments have continued to be very safe.

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

In 2017, in relation to the previous year:

- AAA/AA rated investments increased by 0.04%,
- A rated investments decreased by 0.04%,

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

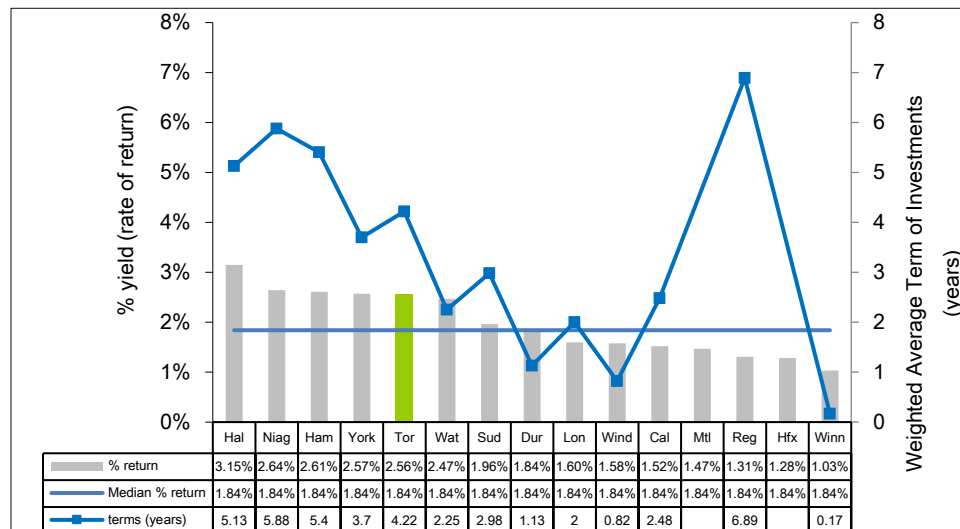


Chart 16.3 compares Toronto's 2017 yield (return) on investments (bars) to other municipalities.

Chart 16.3 (MBNC 2017) 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 fifteen (second quartile).

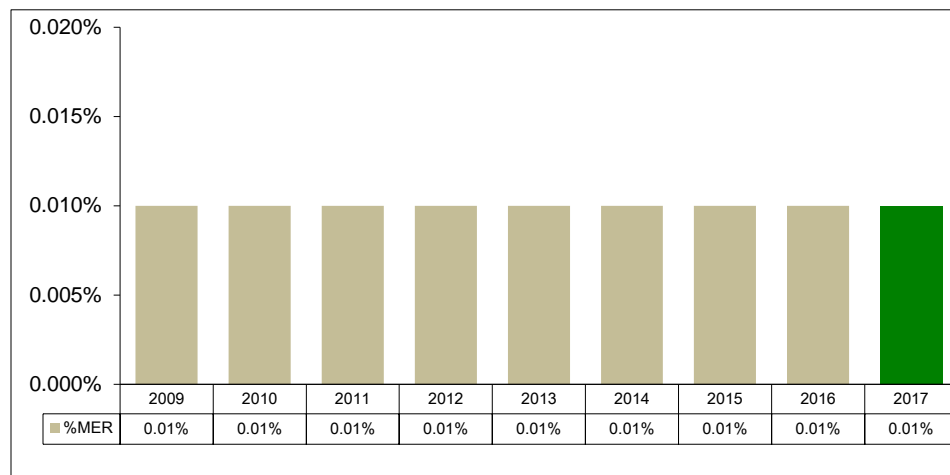
The Chart shows the weighted average investment term (in years) of the portfolio plotted as a line graph relative to right axis. The municipalities with higher returns than Toronto also tend to

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 2017, Toronto had a shorter portfolio term compared to the previous year. The shorter portfolio term was due to planned higher allocation to the Money Market Fund in preparation for transition to a new asset mix in 2018 based on the new council-approved investment policy.

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 MBNC study.

It is also important to note that while other municipalities are moving towards investing in riskier asset classes, the City of Toronto has not followed the same trend. This is related to new investment regulations, which came into effect January 1, 2018, that allow the City to include a broader range of asset classes.

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



Toronto 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).

Chart 16.4 (City of Toronto) Total Fund Management Expense Ratio (MER)

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 2017. The long-term trend in this chart is also stable at 0.01%.

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

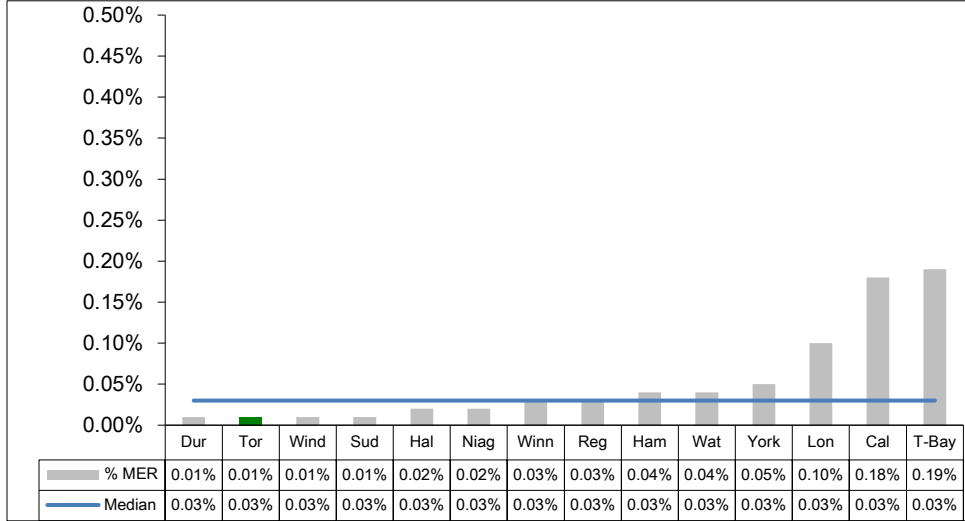


Chart 16.5 reflects Toronto's 2017 Total Fund MER compared to other municipalities. Toronto is second of fourteen municipalities (first quartile) in terms of having the lowest investment management costs.

Chart 16.5 (MBNC 2017) Total Fund Management Expense Ratio (MER)

It is noteworthy that even though Toronto has the second lowest investment management costs (Chart 16.5) 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).

2017 ACHIEVEMENTS AND 2018 PLANNED INITIATIVES

The City of Toronto continues to maintain positive relationships with its credit rating agencies.

2017 Achievements

- Renewed the City's corporate insurance policies at a premium decrease of \$33,427 or 0.7% despite reporting a \$1.34B or 9.1% increase in property values to be insured.
- Reported to Council to approve the formation of an Investment Board and a new Investment Policy (effective Jan 1, 2018) as required by the new Provincial Regulations.

Factors Influencing Results of Municipalities

- Economic Conditions: Local economy, unionization, state of assets (life expectancy); prevailing interest rates and shape of the yield curve; availability of product.
- Geography: Population, density and land mass.
- Government Structure: Single-tier or two-tier impacts level of expenditures.
- Organizational Form: Reporting structure, levels within departments.
- Policy and Practices: General accounting practices (terms utilized for various receivables and payments); investment policy objectives, i.e. risk tolerances, preservation of capital vs. growth; municipal life stage (growth vs. maturity); legislative investment policy constraints; cash inflows/outflows to portfolio; and other municipal practices.