



## **2017 Annual Investment Report**

### **1. Introduction**

The Town's Investment Policy stipulates that the Treasurer for the Town reports to Council on an annual basis by June 30<sup>th</sup> on the Town's investment activities. The Investment Policy was approved on January 20, 2015 and revised on September 19, 2017 by Council.

### **2. Securities Held**

The investment objectives specified in the Investment Policy, in a priority order, include:

- a) Adherence to statutory requirements
- b) Preservation and security of capital
- c) Maintenance of necessary liquidity
- d) Realizing a competitive rate of return

Historically, the Town maintained surplus operating funds and money not needed in the short-term in interest bearing accounts with Canadian chartered banks. In 2016, a portion of the money was invested in Guaranteed Investment Certificates (GICs) with CIBC Wood Gundy.

With the updated investment policy that establishes investment objectives, principles and guidelines for the prudent investment, staff took advantage of the variety of investment instruments available in the market and invested some unneeded funds in fixed income securities, and the High Interest Savings Account (HISA) and the equity portfolio in the One Investment Program which is a pooled investment program designed for municipalities and

operated by Local Authority Services (LAS) and Chums Financial Corp (a subsidiary of the Municipal Finance Officers' Association of Ontario)

Below are categories of the securities held by the Town as at December 31, 2017, with individual securities are listed in *Appendix A – List of Securities Held*.

- Operating bank accounts held with a Canadian chartered bank (Bank of Nova Scotia)
- Guaranteed Investment Certificates (GICs) held with CIBC Wood Gundy
- Fixed income securities (fixed rate bonds held with BMO Nesbitt Burns)
- High Interest Savings Account (HISA) with the One Investment Program
- Equity portfolio of the One Investment Program
- Loan of the West Parry Sound District Museum
- Investment in Lakeland Holdings Inc.

The bank accounts held with Bank of Nova Scotia are interest bearing accounts with an annual interest of 1.05%.

The HISA and equity holdings with the One Investment Program has a high level of liquidity as withdrawals from the program take only one business day. HISA, with an interest of 1.935% currently and similar to other interest-bearing account, is regarded as a comparatively safe investment vehicle. Equity investment, however, involves a high level of risk as preservation of capital is not guaranteed in equity investment.

The GICs are not as liquid in that early redemption will result penalties.

The fixed rate bonds (fixed income securities) held with BMO Nesbitt Burns have maturity dates. However, Bonds are tradable in the secondary market, which provides liquidity. Caution should be given to bond investments as the market value of a bond fluctuates with the interest rate in the market.

Due to the less liquidity of GICs and bonds, investments in these instruments were structured in such a way that funds were divided into a few portions, the maturity dates of which are laddered so that the Town will redeem a portion of the investment in each year.

The loan to the West Parry Sound District Museum has no fixed terms of repayment. During 2017, the museum repaid \$550 of the principal of the loan.

### 3. Portfolio Mix and Realized / Unrealized Gains or Losses

The Town’s investment portfolio is summarized as follows:

	2017				2016	
	Balance at December 31 (\$)	% of Portfolio	Realized Gain	Unrealized Gain/ (loss) (\$)	Balance at December 31 (\$)	Realized Gain (\$)
Operating Bank Accounts	8,383,528	38.2%	215,451	-	15,083,028	210,929
High Interest Savings Account - One Investment	1,647,347	7.5%	3,633	-	-	-
Guaranteed Investment Certificates	4,161,109	18.9%	64,701	-	2,507,866	7,866
Fixed Rate Bonds	1,002,348	4.6%	5,125	(6,451)	-	-
Equity - One Investment	900,000	4.1%	0	50,257	-	-
Loan to West Parry Sound District Museum	24,375	0.1%	463	-	24,925	423
Investment in Lakeland Holdings Inc.	5,855,104	26.6%	236,292	-	5,855,104	219,414
<b>Total Cash and Investments</b>	<b>21,973,811</b>	<b>100.00%</b>	<b>525,665</b>	<b>43,806</b>	<b>23,470,923</b>	<b>438,632</b>

The investment duration of the GICs and fixed rate bonds that the Town holds ranges from 1 to 5 years. The total holdings in these two categories were 23.5% of the portfolio, which is within the target range of 0% to 60% specified in the Investment Policy.

The portfolio had a balance of \$21,973,811 at the end of 2017 and generated a total of \$526,128 investment income in the year, compared to \$438,632 in the previous year. In 2017 there was also \$43,806 of unrealized gain (\$50,257 unrealized gain from the equity holdings net of \$6,451 unrealized loss from the bond holdings). The unrealized gain and loss is the difference between the market value and the book value of the securities.

### 4. Portfolio Summary by Fund

The Town’s portfolio consists of general funds, trust funds, reserve funds and other investments.

#### 4.1 General Fund

The general fund, including the general operating account and reserves, were invested in the following instruments:

Amounts in \$	2017		2016	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Scotia Bank - General Operating Account	5,633,304	152,780	9,200,993	139,915
GICs - CIBC	4,021,109	64,701	2,507,866	7,866
BMO Nesbitt Burns	1,002,348	5,125	-	
<b>Total General Funds</b>	<b>10,656,761</b>	<b>222,606</b>	<b>11,708,859</b>	<b>147,781</b>

#### 4.2 Trust Funds

The trust funds, which are not available for the general use of the Town's operations, are invested in the interest bearing accounts with Nova Scotia Bank. The balances of the trust funds at December 31, 2017 and investment income in 2017 are as follows:

Amounts in \$	2017		2016	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Sylvan Acres Cemetery	165,508	1,994	163,514	1,707
Hillcrest Cemetery	112,579	1,357	111,223	1,161
Trinity Memorial Garden	1,632	-	1,612	-
<b>Total Trust Funds</b>	<b>279,719</b>	<b>3,351</b>	<b>276,349</b>	<b>2,868</b>

#### 4.3 Reserve Funds

Investment for the Reserve funds, which are under either contractual obligations or legislative restrictive, are listed as follows:

Amounts in \$	2017		2016	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Capital Asset Legacy Fund	1,231,492	15,115	2,080,303	26,991
Capital Replacement Reserve Fund	456,165	5,269	395,502	1,917
Lot Levy	87,400	1,068	86,331	901
Development Charges	17,930	216	17,714	185
Water Development	109,583	1,311	95,413	988
Municipal Property	125,720	1,518	121,540	1,229
Parking	151,956	2,604	149,352	3,636
Sewer Development	105,996	1,268	92,022	953
Pool - in trust	45,140	552	44,588	466
EMS Severance	547,934	6,609	541,824	5,598
EMS Surplus	1,042,745	12,948	1,029,797	11,374
EMS Equipment / Capital	444,868	7,470	437,398	8,494
Fire Training	7,643	92	7,551	79
WPS Association	1,432	17	1,414	15
Smelter Wharf	325,759	3,820	321,939	2,553
Bobby Orr Hall of Fame Reserve Fund	144,332	912	143,420	1,497
Treetops Reserve Fund	14,122	96	2,723	702
Provincial Public Transit Gas Tax	37,247	392	36,855	568
BOHF Special Project <sup>1</sup>	260,388	1,674		
<b>Total Reserve Funds</b>	<b>5,157,852</b>	<b>62,953</b>	<b>5,605,686</b>	<b>68,146</b>

Notes:

1. BOHF Special Project Reserve Fund was converted from a reserve in 2017.
2. A Federal Gas Tax Reserve Fund Account was set up in 2018 for the unapplied \$287,163 of Federal gas tax fund at the end of 2017.
3. A Splashpad Reserve Fund Account was set up in 2018 as per Resolution # 2018-019 for the allocated \$40,000.

Of the \$5,157,852 reserve funds, \$2,470,505 was invested in interest bearing accounts with Bank of Nova Scotia, \$1,647,347 in HISA with the One Investment Program, and the remaining \$900,000 in the equity portfolio of the One Investment Program.

It is noted that although the equity portfolio had a total of \$50,257 unrealized gain at the year end, the majority of gain was given back to the market in the first few months of 2018. This exemplified the volatility of equity market. Unless it is for a long-term investment, the Town should not allocate funds to equity and equity investment for funds with long investment terms should be limited as well.

#### 4.4 Other Investments

Other investments are not cash equivalents and consist of:

Amounts in \$	2017		2016	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Loan to West Parry Sound district Museum	24,375	463	24,925	424
Investment in Lakeland Holdings Inc.	5,855,104	236,292	5,855,104	219,414
<b>Total Trust Funds</b>	<b>5,879,479</b>	<b>236,755</b>	<b>5,880,029</b>	<b>219,838</b>

### 5. Statement of Compliance

All investments adhere to the approved Investment Policy. In addition, all investments meet the eligibility requirements set out by Ontario Regulation 438/97 of the *Municipal Act, 2001*, which specifies limits for each type of investment that can be held.

## Appendix A

### List of Securities Held - As at December 31, 2017

#### Interest Bearing Accounts

	<b>Financial Institution</b>	<b>Balance</b>	<b>Interest Rate</b>
Operating accounts	Bank of Nova Scotia	\$8,383,528	1.05%
High Interest Savings Account (HISA)*	One Investment	\$1,647,347	Prime - 1.535%
<b>Total</b>		<b>\$10,030,875</b>	

\* As of June 14, 2018, the interest on the HISA (One Investment) is 1.915%.

#### Guaranteed Investment Certificates

<b>Issuer</b>	<b>Face Value</b>	<b>Maturity Date</b>	<b>Interest Rate</b>
Laurentian Bank GIC	\$500,000	2018-10-26	1.6500%
Laurentian Bank GIC	\$500,000	2019-10-28	1.7500%
Canadian Western Bank GIC	\$500,000	2020-10-26	1.9000%
Canadian Western Bank GIC	\$500,000	2021-10-26	1.9500%
Canadian Western Bank GIC	\$200,000	2018-05-05	1.3000%
Montreal Trust Company GIC	\$200,000	2019-05-05	1.3500%
National Bank GIC	\$200,000	2020-05-05	1.5000%
Laurentian Bank GIC	\$200,000	2021-05-05	1.8500%
Canadian Western Bank GIC	\$200,000	2022-05-05	2.0300%
Laurentian Bank GIC	\$140,000	2019-07-31	1.9000%
CIBC GIC Flexible (Cashable)	\$500,000	2018-09-15	1.5300%
CIBC Income and Growth DPTNS	\$500,000	2022-11-01	1.0000%
<b>Total</b>	<b>\$4,140,000</b>		

#### Fixed Rate Bonds

<b>Issuer</b>	<b>Face Value</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>
Royal Bank of Canada	\$197,350	2018-12-11	2.7700%
Bank of Nova Scotia	\$196,522	2024-10-18	3.0360%
HSBC Bank Canada	\$198,602	2020-07-07	1.8160%
Bank of Montreal	\$198,093	2021-10-28	1.6100%
Bank of Montreal	\$198,495	2022-07-11	2.2700%
<b>Total</b>	<b>\$989,062</b>		

#### Equity – One Investment

<b>Face Value</b>	<b>\$900,000</b>
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