

# Q4 2023 Investment Board

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## PRUDENT INVESTMENT BOARD



## AGENDA:

Investment Performance

Market Outlook

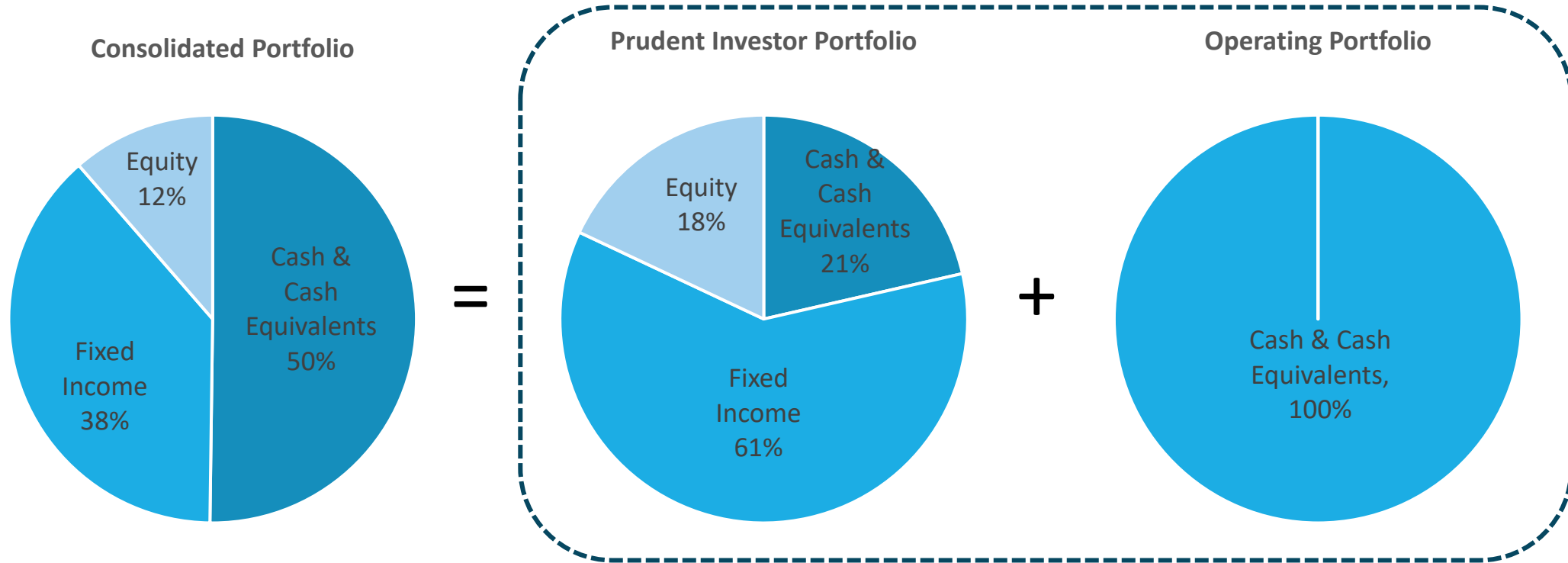
Review of Investment Policy Statement &  
Investment Plan

Review of 2023 Investment Report &  
Chairman's Presentation



# Asset Allocation

# Asset Allocation





# Investment Performance

# Investment Income

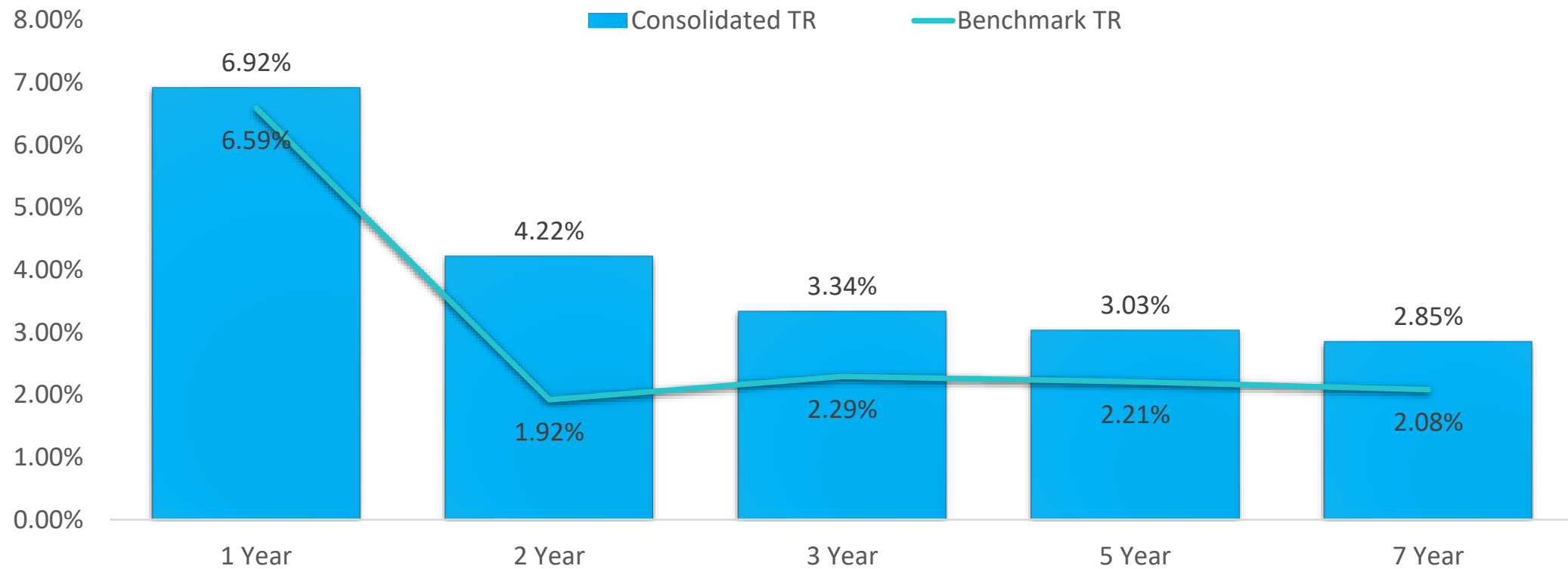
	YTD Realized Income (\$millions)	Unrealized Gain/(Loss) (\$millions)	YTD Total Return (\$millions)	Fair Market Value (31/Dec, \$millions)
Money Markets	14.04	0.00	14.04	186.8
Fixed Income	5.08	3.06	8.14	150.4
Equities	1.02	4.22	5.23	45.7
<b>Consolidated Portfolio</b>	<b>20.13</b>	<b>7.28</b>	<b>27.41</b>	<b>382.9</b>
<i>PI portfolio</i>	<i>9.92</i>	<i>7.28</i>	<i>17.20</i>	<i>250.0</i>
<i>Operating portfolio</i>	<i>10.21</i>	<i>0.00</i>	<i>10.21</i>	<i>132.9</i>



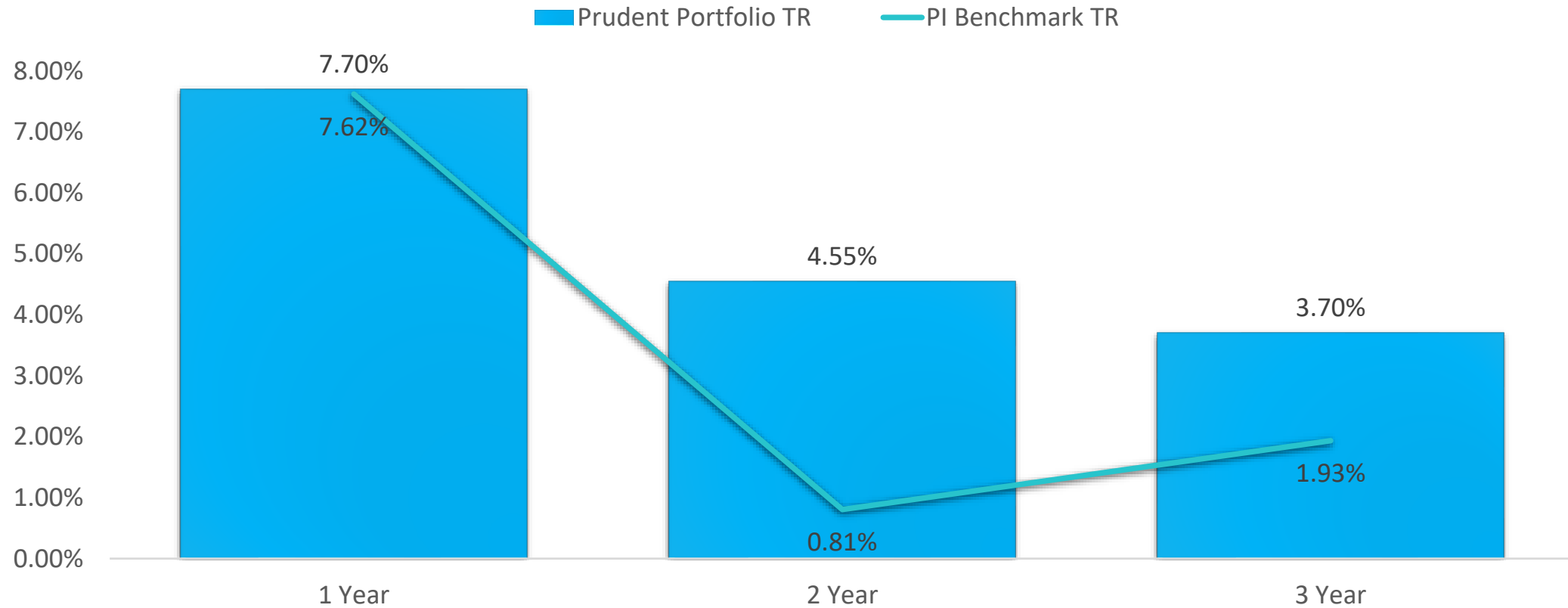
# Total Return by Portfolio

		Prudent Investor	
	Consolidated	Portfolio	Operating Portfolio
Q1 2023	1.74%	2.18%	1.26%
Q2 2023	1.01%	0.68%	1.31%
Q3 2023	0.24%	-0.60%	1.39%
Q4 2023	3.79%	5.33%	1.39%
<b>FY 2023</b>	<b>6.92%</b>	<b>7.70%</b>	<b>5.46%</b>
<b>Benchmark</b>	<b>6.59%</b>	<b>7.62%</b>	<b>4.89%</b>
<b>Relative Performance</b>	<b>+33 bps</b>	<b>+8 bps</b>	<b>+57 bps</b>

# Consolidated Annualized Performance



# Annualized Performance (Prudent Investor Portfolio)





# Total Return Attribution

Consolidated Portfolio



Q1 2023	Active Return	Active Weights	Allocation Effect	Security Selection Effect
Money Market	0.0%	21.7%	0.3%	-0.2%
Fixed Income	0.3%	-18.2%	-0.4%	0.7%
Equity	-1.2%	-3.5%	-0.2%	-1.0%
<b>Consolidated</b>	<b>-0.4%</b>	<b>0.0%</b>	<b>-0.4%</b>	<b>0.0%</b>

Q2 2023	Active Return	Active Weights	Allocation Effect	Selection Effect
Money Market	0.3%	8.5%	0.1%	0.2%
Fixed Income	0.9%	-7.8%	0.1%	0.8%
Equity	-0.4%	-0.6%	0.0%	-0.4%
<b>Consolidated</b>	<b>0.4%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.3%</b>

Q3 2023	Active Return	Active Weights	Allocation Effect	Selection Effect
Money Market	0.1%	7.6%	0.1%	0.1%
Fixed Income	0.3%	-5.7%	0.1%	0.3%
Equity	-0.4%	-1.9%	0.0%	-0.4%
<b>Consolidated</b>	<b>0.3%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.1%</b>

Q4 2023	Active Return	Active Weights	Allocation Effect	Selection Effect
Money Market	0.1%	5.6%	0.1%	0.0%
Fixed Income	0.2%	-4.0%	-0.2%	0.5%
Equity	0.1%	-1.6%	-0.1%	0.2%
<b>Consolidated</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>-0.3%</b>	<b>0.2%</b>

# Total Return Attribution

Prudent Investor Portfolio

Q1 2023	Active Return	Active Weights	Allocation Effect	Security Selection Effect
Money Market	0.0%	41.0%	0.5%	-0.5%
Fixed Income	0.3%	-34.3%	-0.8%	1.1%
Equity	-1.2%	-6.7%	-0.4%	-0.8%
<b>Prudent Investor Portfolio</b>	<b>-0.8%</b>	<b>0.0%</b>	<b>-0.8%</b>	<b>0.0%</b>

Q2 2023	Active Return	Active Weights	Allocation Effect	Selection Effect
Money Market	0.3%	17.3%	0.2%	0.1%
Fixed Income	0.9%	-16.1%	0.2%	0.7%
Equity	-0.4%	-1.3%	0.0%	-0.3%
<b>Prudent Investor Portfolio</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>0.3%</b>

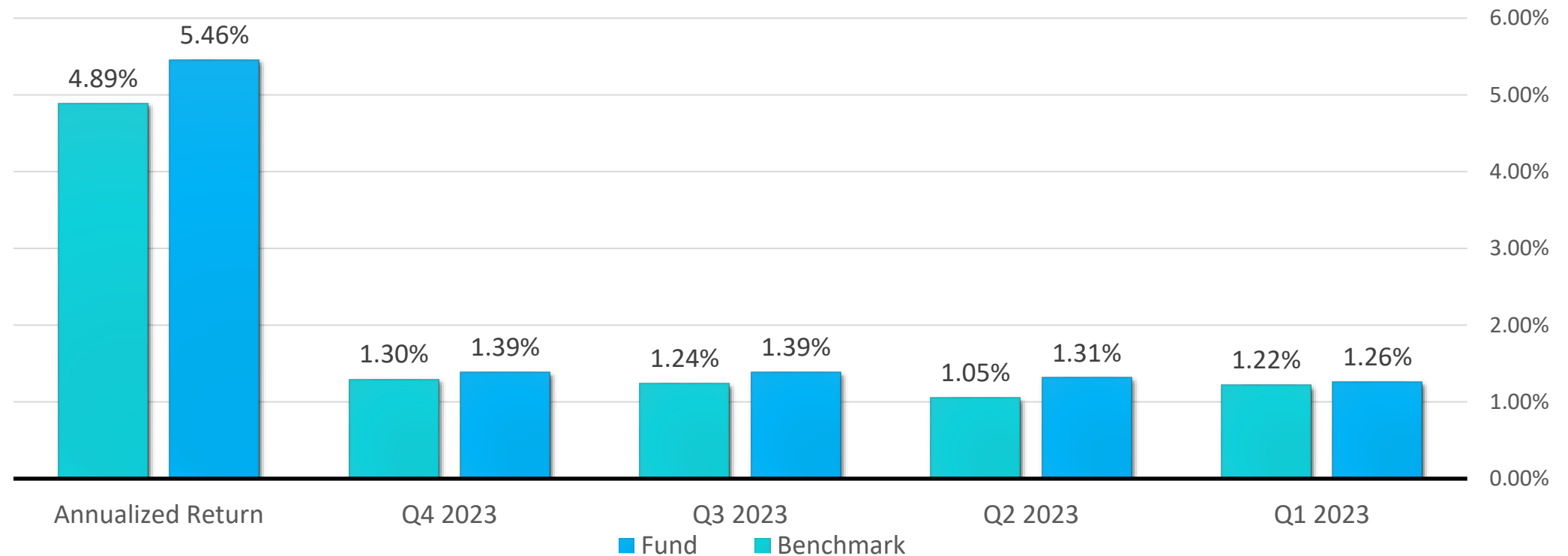
Q3 2023	Active Return	Active Weights	Allocation Effect	Selection Effect
Money Market	0.1%	13.4%	0.2%	0.0%
Fixed Income	0.3%	-10.1%	0.1%	0.2%
Equity	-0.4%	-3.3%	0.1%	-0.5%
<b>Prudent Investor Portfolio</b>	<b>0.5%</b>	<b>0.0%</b>	<b>0.4%</b>	<b>0.1%</b>

Q4 2023	Active Return	Active Weights	Allocation Effect	Selection Effect
Money Market	0.1%	9.4%	0.1%	0.0%
Fixed Income	0.2%	-6.7%	-0.4%	0.6%
Equity	0.1%	-2.6%	-0.2%	0.3%
<b>Prudent Investor Portfolio</b>	<b>-0.3%</b>	<b>0.0%</b>	<b>-0.5%</b>	<b>0.2%</b>



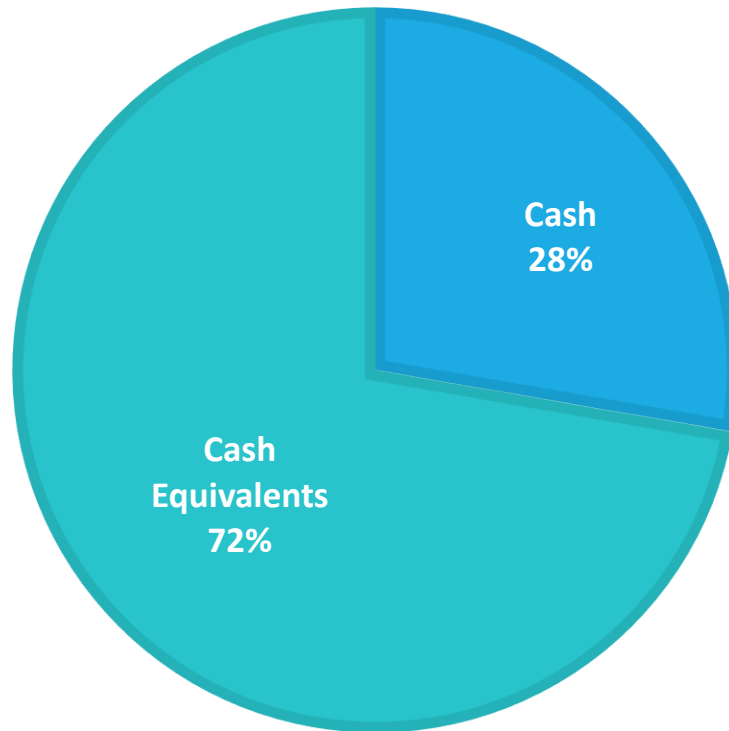
# Operating Fund Analysis

# OF: Periodic Total Return

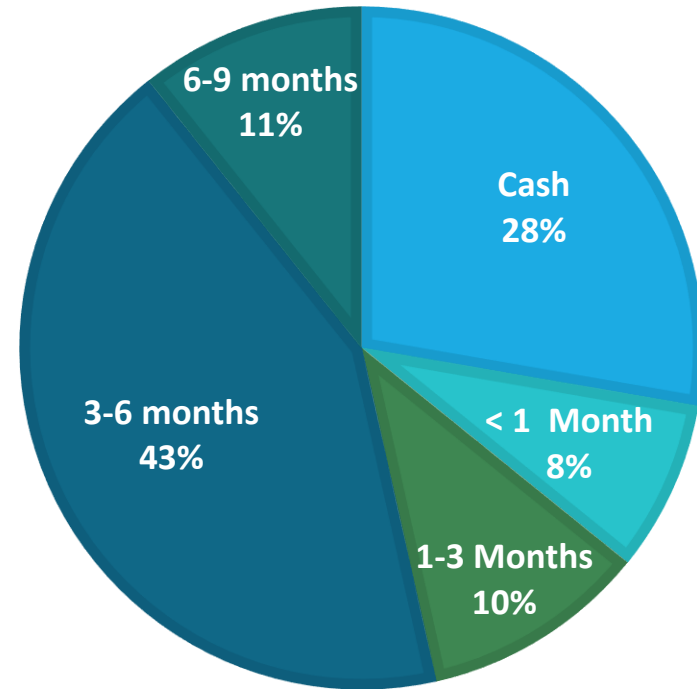


# OF: Security Allocation & Liquidity

SECURITY ALLOCATION



LIQUIDITY





# Capital Fund Analysis

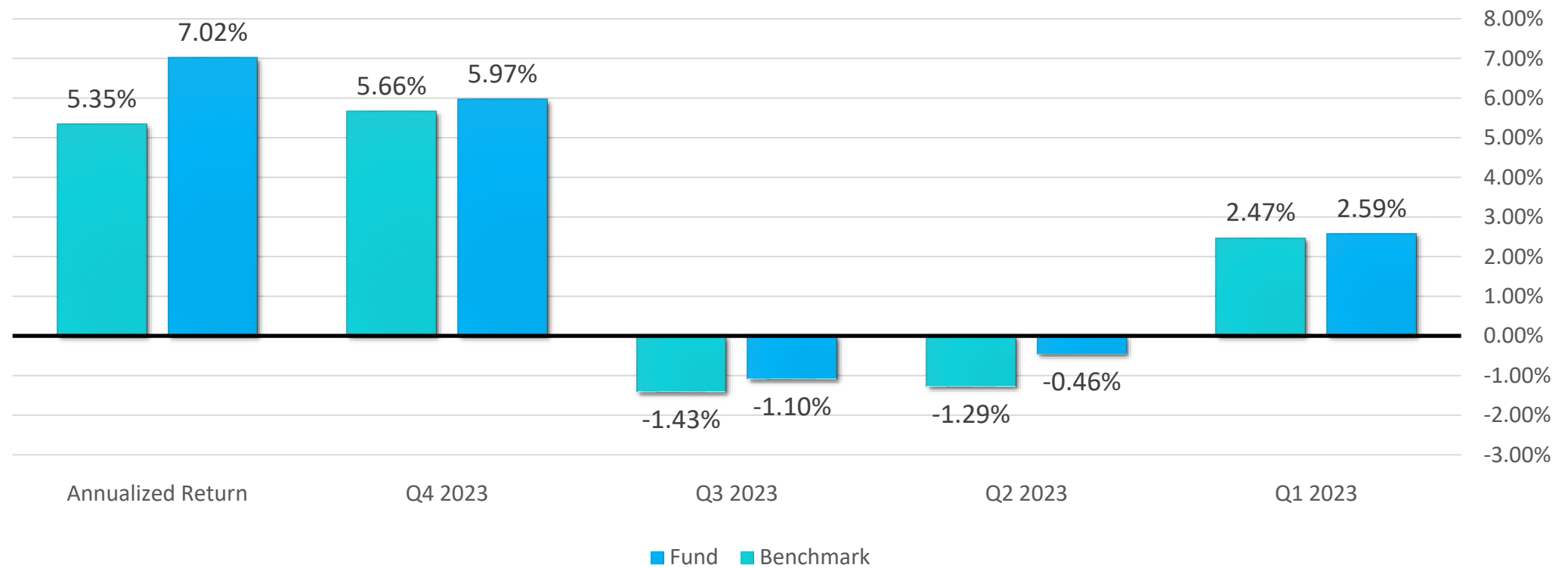


# Fixed Income Characteristics

	31-Dec-23		
	Bond Holdings	Benchmark	Relative
Yield to Maturity	4.42%	3.90%	0.5%
Average Coupon	4.47%	2.84%	1.6%
Average Quality (All Holdings)	A	AA-	
Average Quality (Corporates)	A-	A	
Average Maturity	5.40	4.59	0.81
Option Adjusted Duration	4.91	4.09	0.82
Option Adjusted Convexity	0.36	0.24	0.12
No. of Holdings	80	1,008	



# CF: Periodic Total Return



# Canada Yield Curve Evolution

## YIELDS LOWER; BOND PRICES HIGHER

Yields moved higher in Q1,Q2,Q3; portfolio benefited from shorter duration and higher coupons

Yields peaked in October; portfolio continued to pick up yield and extended duration

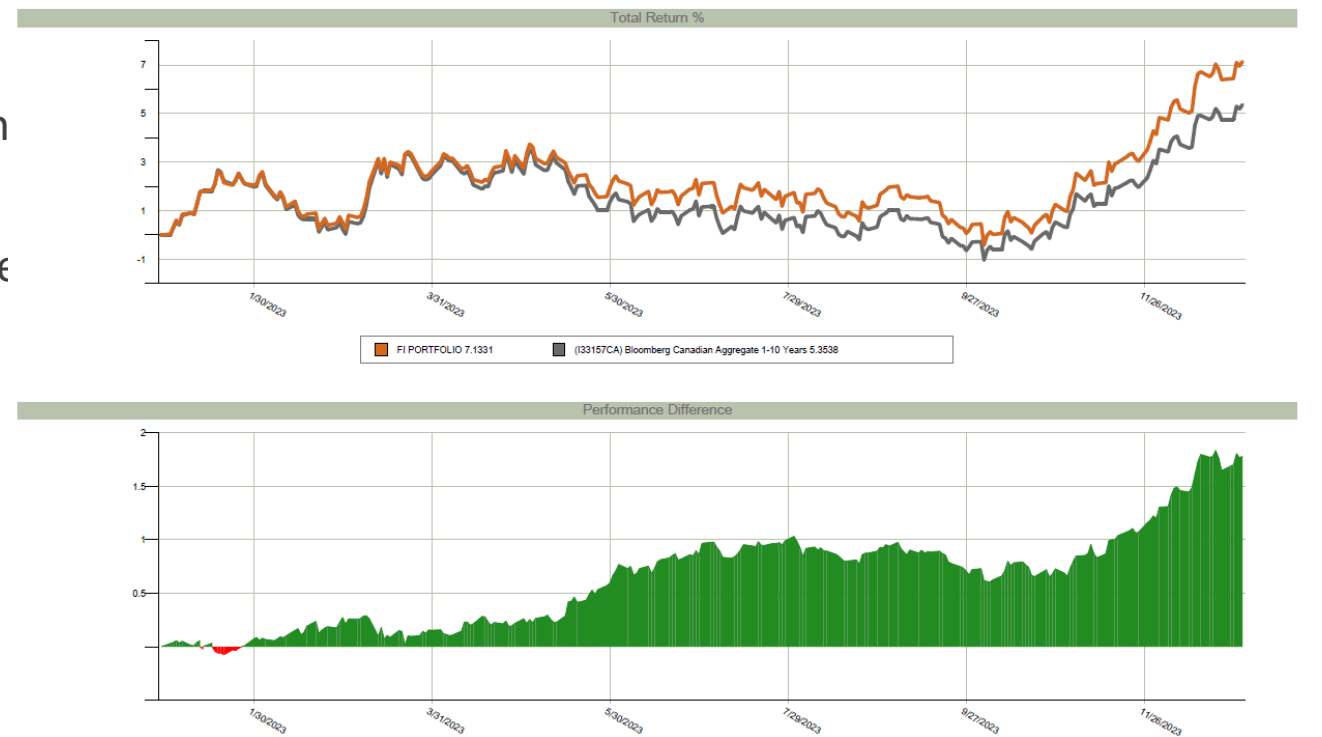
Yields subsequently declined by approximately 110 basis points across the curve to year's lows in Dec.

Overall, bonds outperformed by 167 basis points

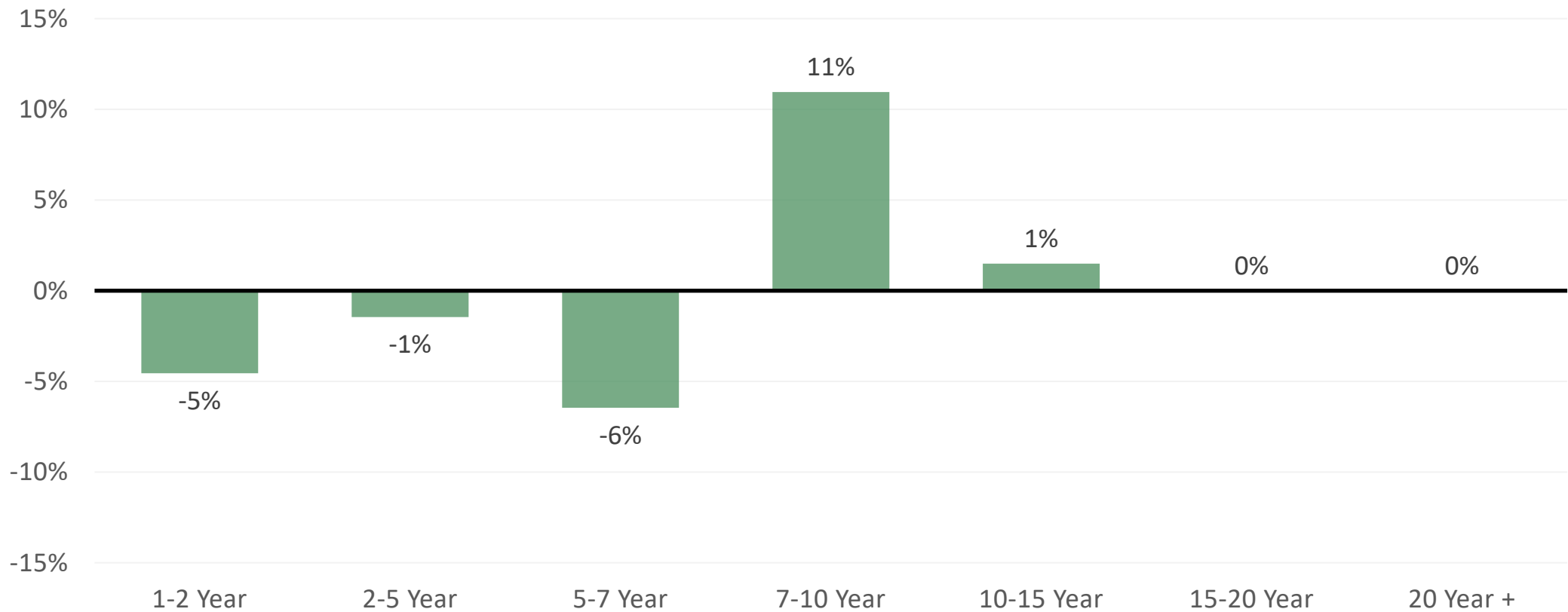
Bloomberg

PORT Performance Total Return

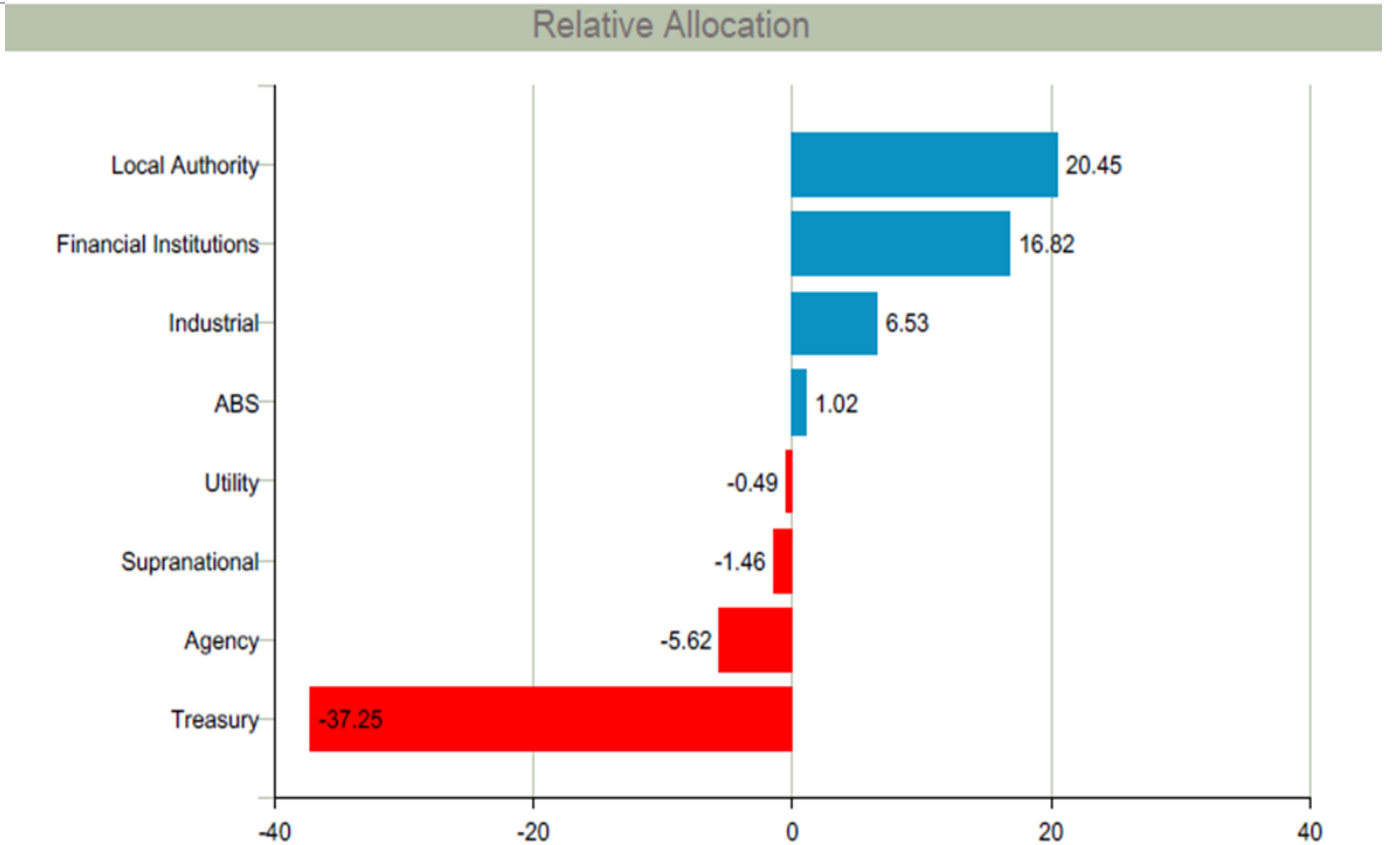
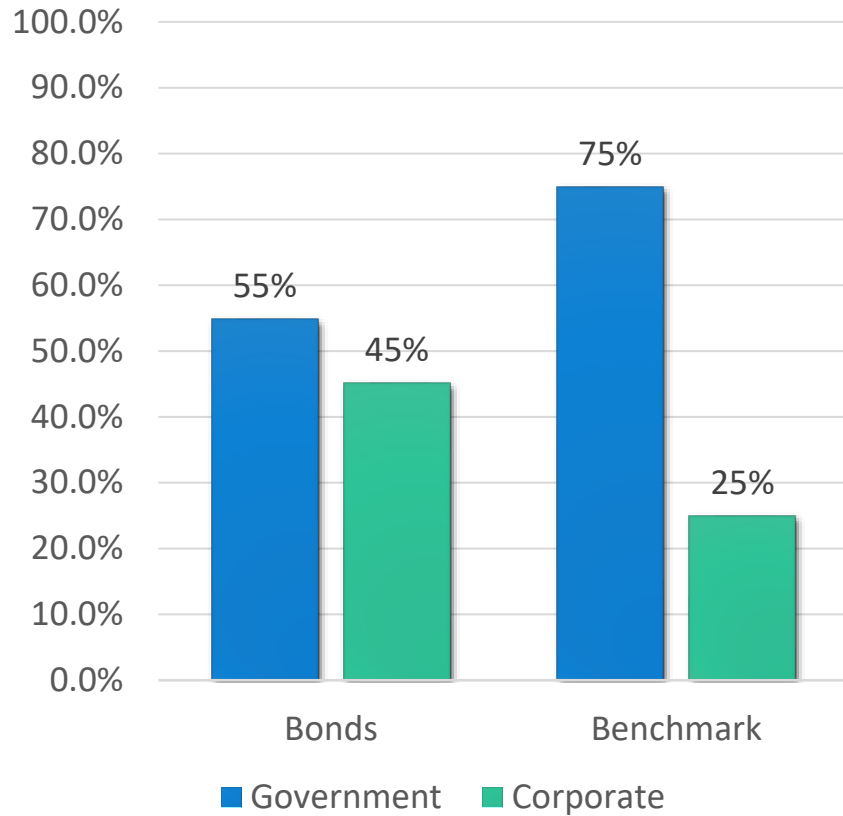
Portfolio: FI PORTFOLIO Benchmark: (I33157CA) Bloomberg Canadian Aggregate 1-10 Years Start Date: 12/30/2022 End Date: 12/29/2023 Currency: CAD



# Relative Curve Positioning



# Bond Sector Allocation



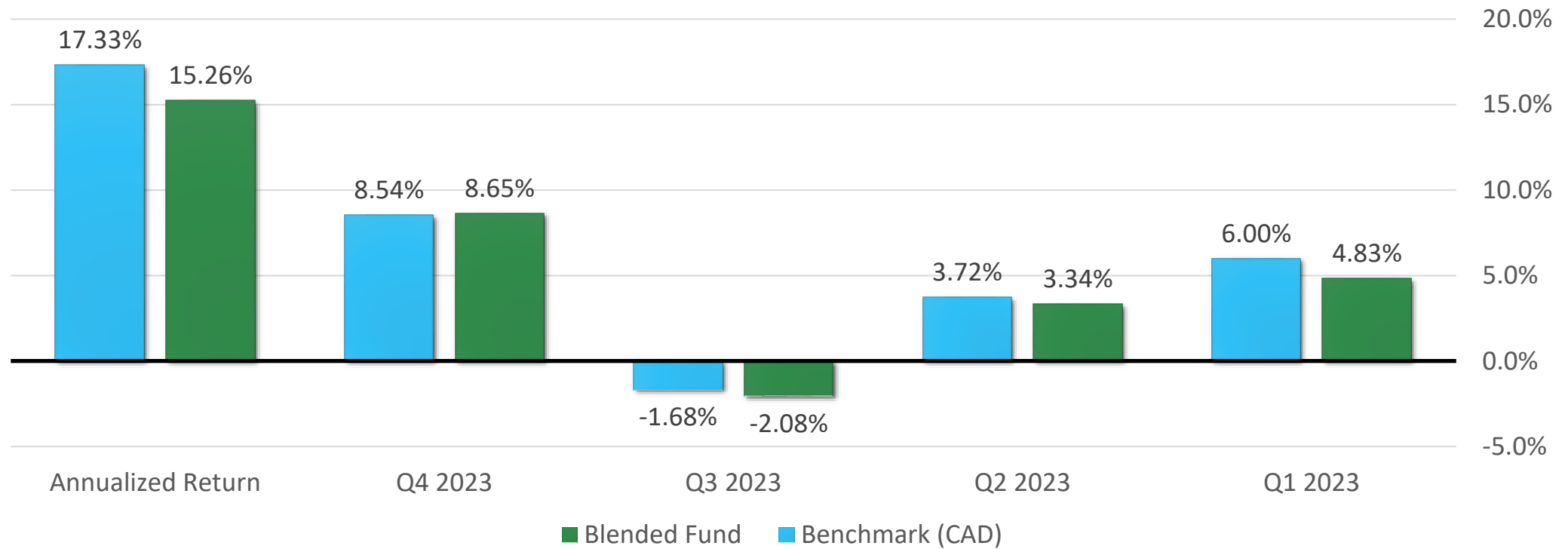
# Relative Credit Quality





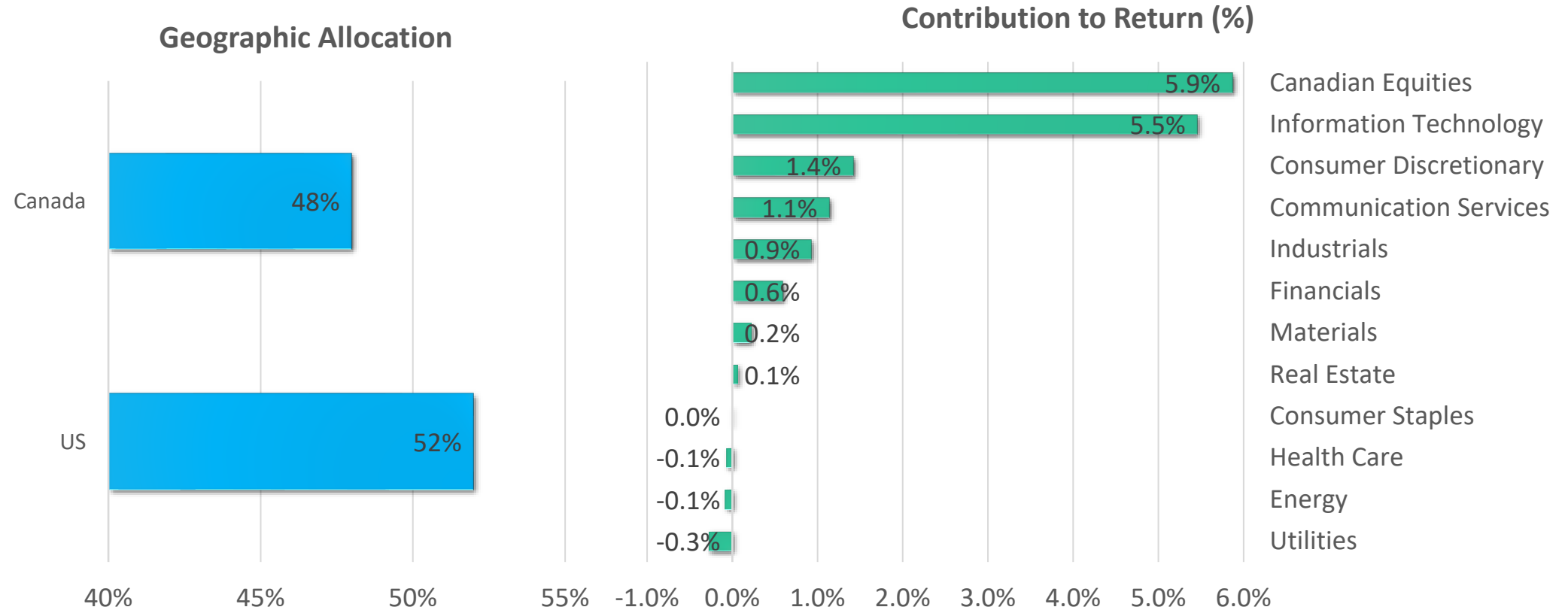
# Growth Fund Analysis

# Periodic Total Return





# Equity Return Attribution





## 2024 Market Outlook

# Market Outlook

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- ❑ Global economic growth continues to slow; Canada's stalled in 23', BoC expects more moderate growth in H2; labour markets becoming less tight; expecting a soft-landing outcome for Canada and US, likely softer in US.
- ❑ BoC projects inflation will return to target in 25'; lingering ~3% through H1 of 2024. Shelter inflation continues to be a significant contributor (+7% YoY, 1% of the 3.4% Core CPI). Expect slow and uneven path back to 2%.
- ❑ Bond markets currently pricing in 100bps for BoC and 150 by FED; most coming in H2 of 24' waiting on incoming data (a potential policy error in the making).
- ❑ Credit conditions to remain tight; banks raising liquidity; building loan loss reserves; offloading risky assets
- ❑ Positive tailwinds ahead for bond market returns with rate cuts on the horizon over 24' and 25'; continue to favor higher quality, longer duration bonds.
- ❑ Equities likely to trade in choppy environment, see reasonable upside potential in 24' bolstered by election year effects. Continue to favor higher yielding defensives over cyclical; remain biased to US relative to Canada.



## Discussion: 2023 Investment Report & Chairman's Presentation





## Review: Investment Policy Statement & Investment Plan