

INVESTMENT MANAGEMENT UPDATE

2018

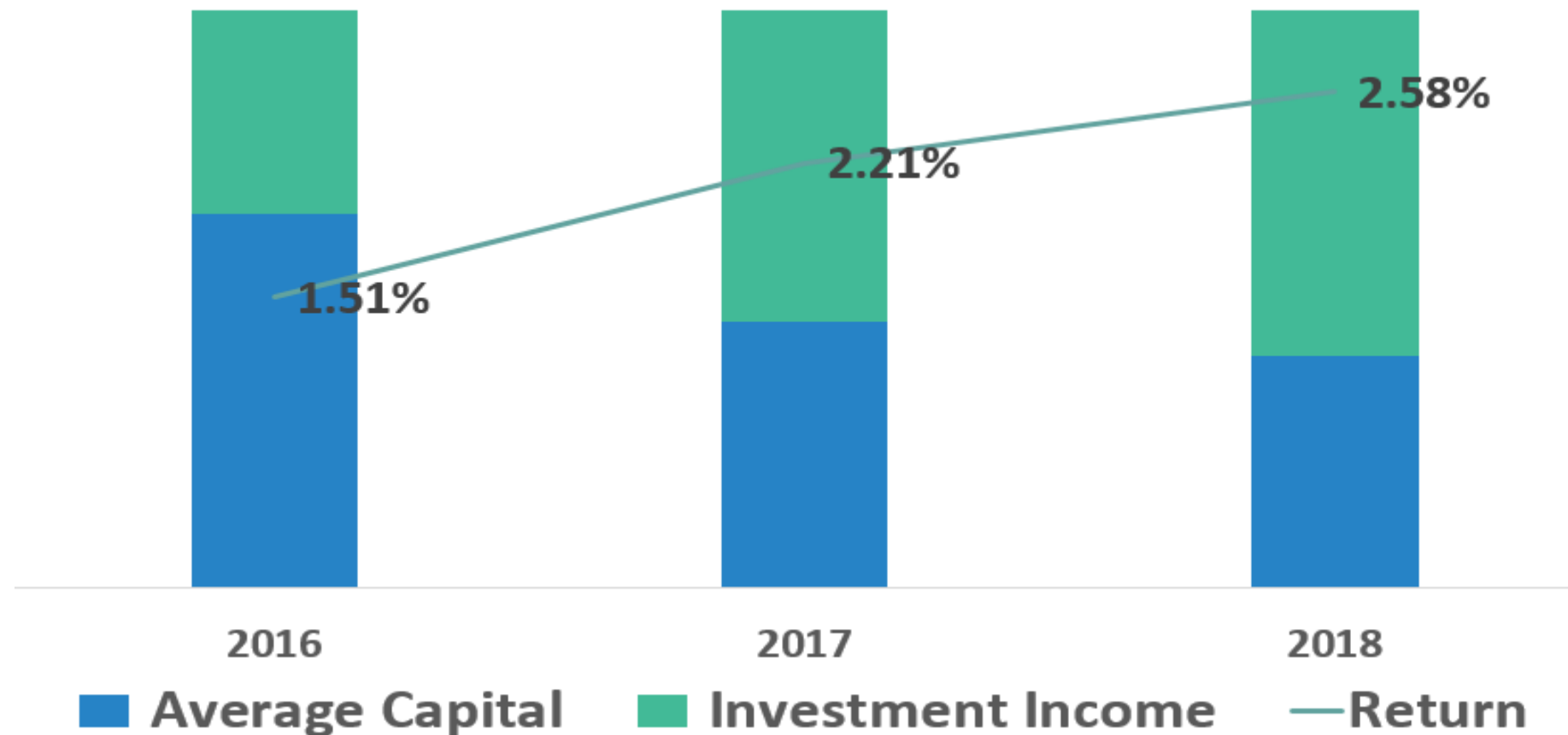


MAY 1, 2019

AGENDA

- I. INVESTMENT PERFORMANCE
- II. PRUDENT INVESTOR STANDARD
- III. RECOMMENDATIONS

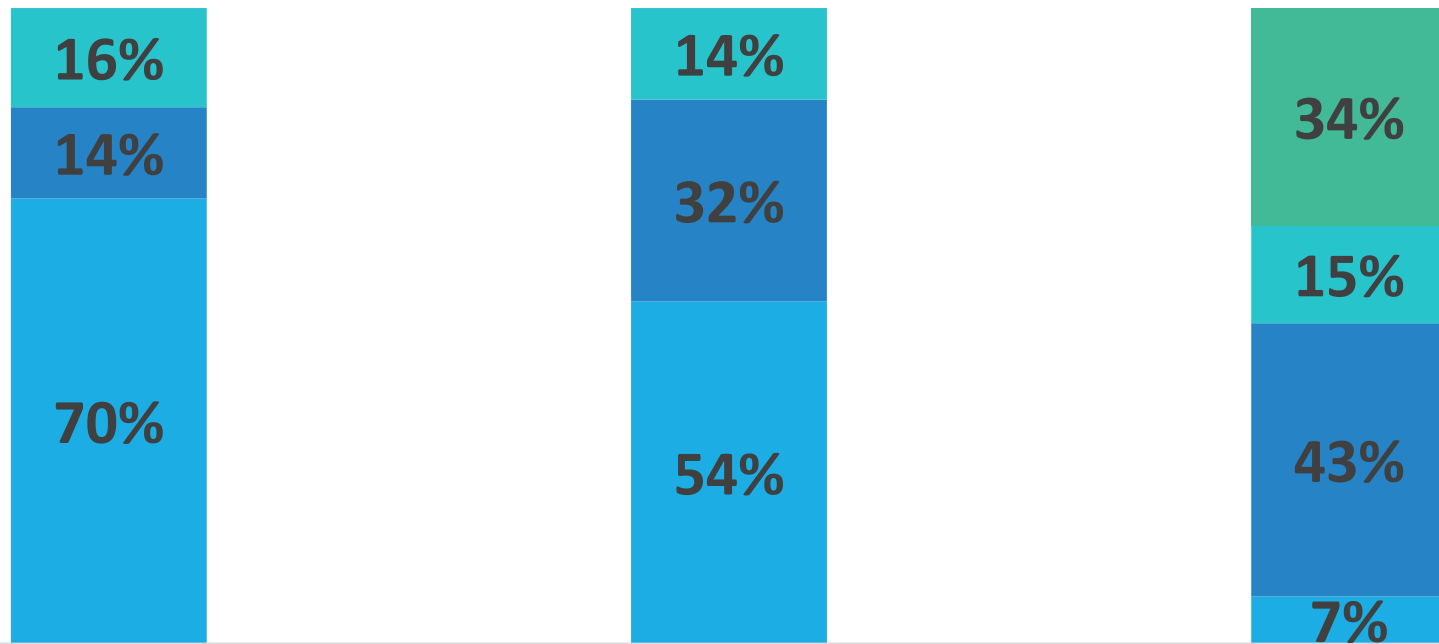
I. Investment Performance



Doing more with less:

Increasing return translated to higher income against declining capital

...Capital Allocation



2016 **2017** **2018**

■ Cash Deposit ■ Money Market Portfolio ■ Promissory Note ■ Bond Portfolio

Impact of the investment program:
Moving from 100% low return cash portfolio to a higher yielding diversified portfolio

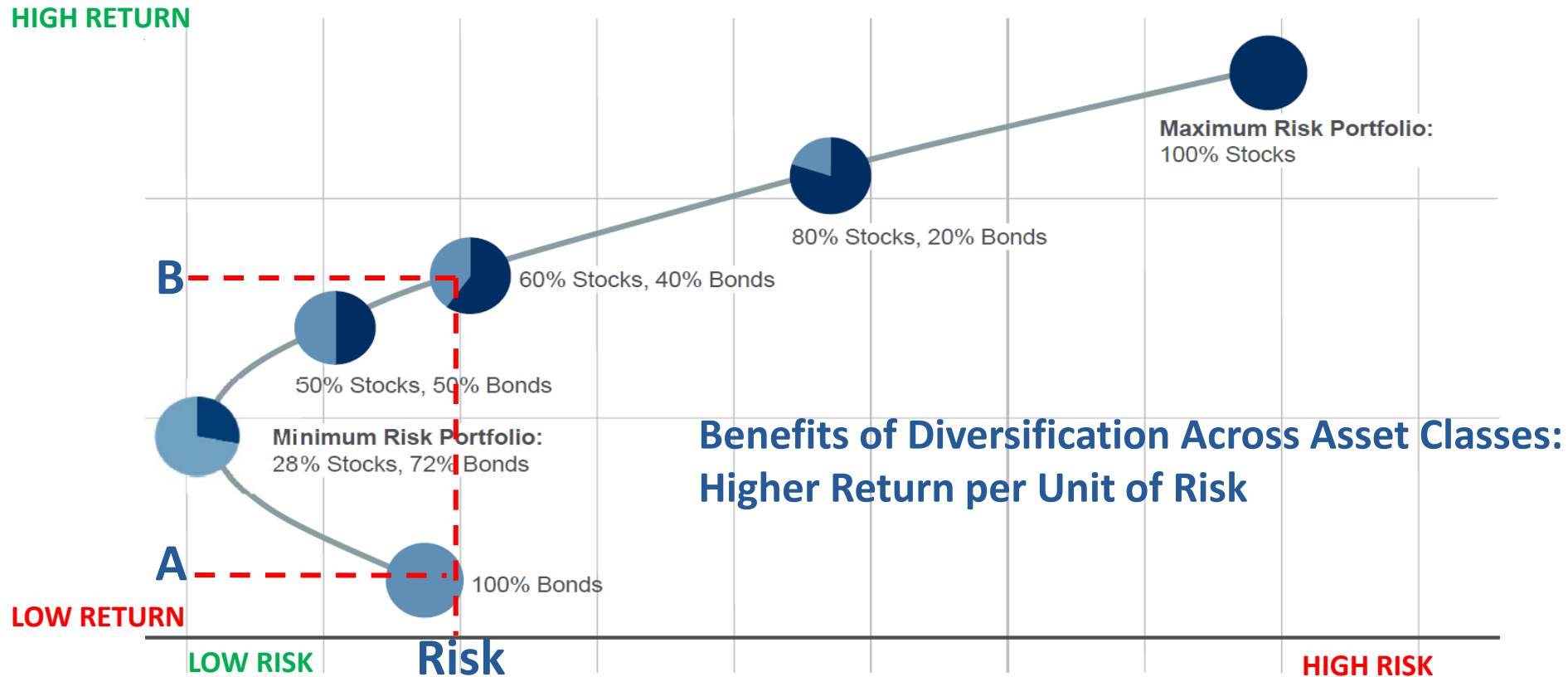
II. Prudent Investor Standard

- ❑ Investment decisions based on impact on total portfolio
- ❑ Broader asset classes: fixed income, equities, alternative asset classes...
- ❑ Better risk adjusted performance through allocation to higher yielding assets
- ❑ Lower risk through diversification

...Fixed Income and Equities Move In Opposite Directions: Higher Risk Adjusted Returns Through Diversification

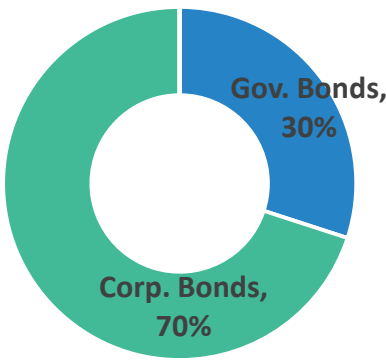


...The Efficient Frontier

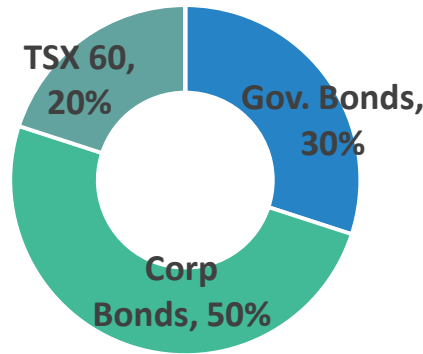


...Potential Benefits of Prudent Investor Standard

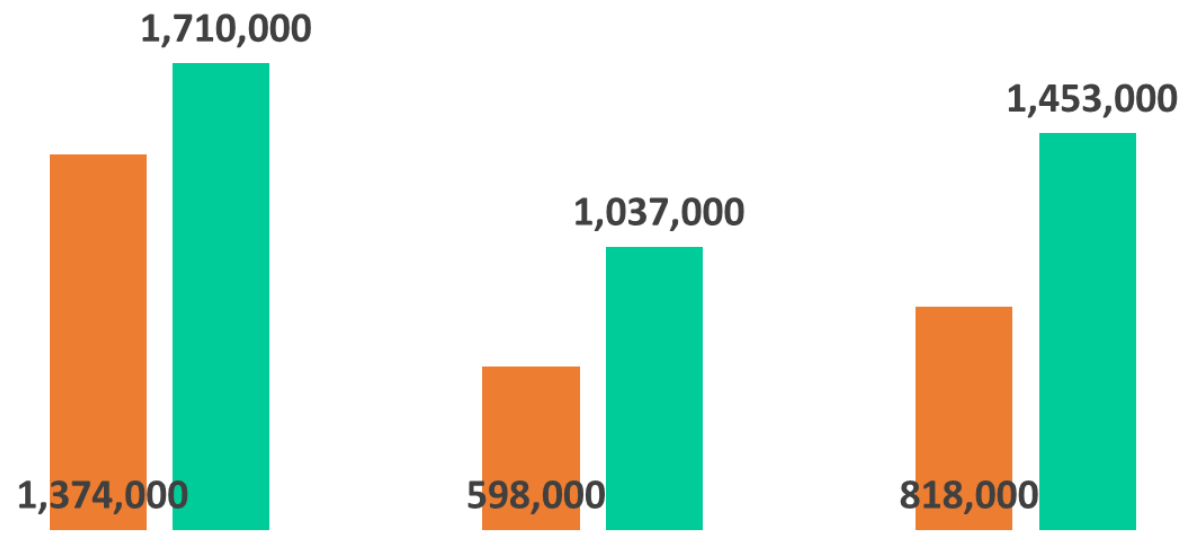
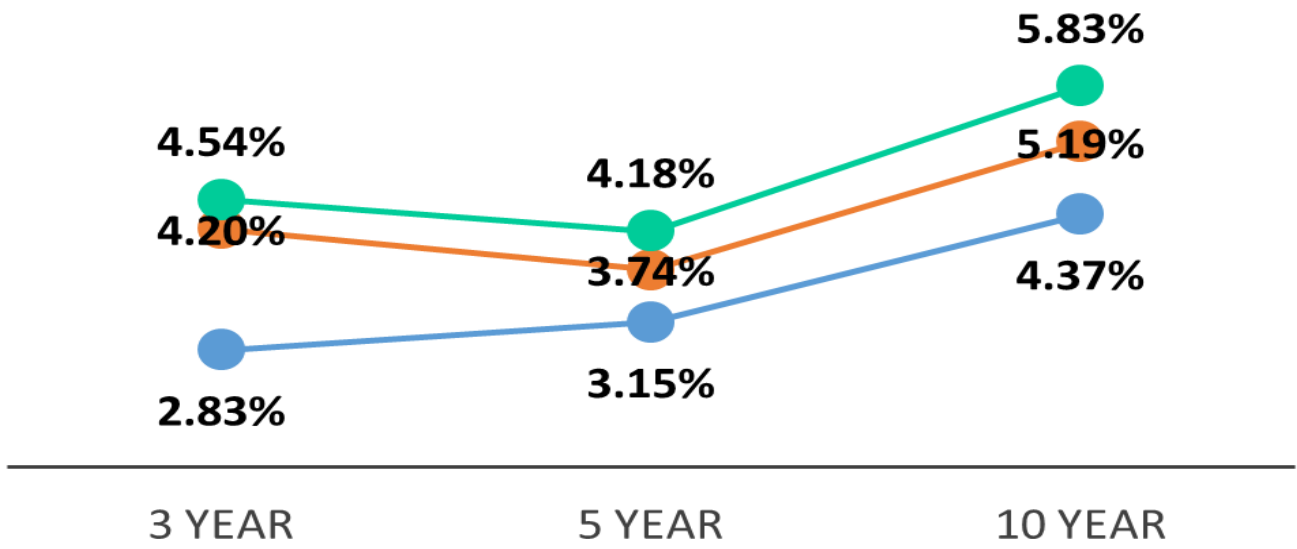
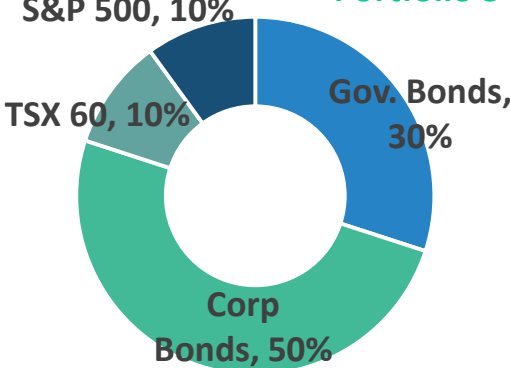
Portfolio 1



Portfolio 2



Portfolio 3



Portfolio 2 Portfolio 3

Framework Under Prudent Investment Standard

- ❑ Council sets goals and objectives through Investment Policy Statement.
 - ❖ Appoints an Investment Board to control and manage investments

- ❑ Investment Board creates Investment Plan to achieve Council's goals and objectives.
 - ❖ Appoints agents to execute the Investment Plan – investment managers (internal and/or external)

...Investment Board

❑ MEMBERSHIP

- ❖ Independent members (3); plus
- ❖ Treasurer (limited to 25% of board membership)

❑ TYPES

- ❖ City Board— solely appointed by Council
- ❖ Joint Board – appointed in accord with others

...City Board vs Joint Board

	City of Barrie Board	Join An Outside Board
Investment Strategy	Customized Solution, tailored to City of Barrie	Funds are allocated into pooled funds according to each investor's risk and return objectives
Risk Management	Diversification by asset class, sector, and credit quality. Unique needs.	Risk managed in the context of offered portfolio mandate.
Board Composition	Treasurer always on the Board.	Treasurer seat not guaranteed
Board Selection	Appointed by Council	City of Barrie has no influence
Incremental Costs	Estimated at \$40K	Estimated at \$80K-\$100K
Reporting	Specific to City's investments and reporting requirements.	Portfolio performance statement. Periodic reporting
Investment Managers	In house and/or external.	Appointed by Investment Board, usually 3 rd Party Asset Managers
Performance	Risk Adjusted Returns 2.34%	Comparable Bond Portfolio: 1.51%

III. Recommendations

☐ Adoption of Prudent Investor Standard

1. Diversified portfolio
2. Better risk adjusted returns
3. Low interest rate environment to continue

☐ Establishment of City of Barrie Investment Board

1. Appointed by City Council
2. Treasurer guaranteed a seat on the Board
3. Focused on City's investment needs

