



2018 Annual Investment Report

1. Introduction

The Town's Investment Policy stipulates that the Treasurer for the Town reports to Council annually by June 30th regarding the Town's investment activities. The Investment Policy was approved on January 20, 2015, revised on July 3, 2018 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 liquidity
- d) Realizing a competitive rate of return

Historically, the Town maintained surplus operating and long-term funds 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.

The updated investment policy that establishes investment objectives, principles and guidelines for the prudent investment allowed staff to take advantage of the various investment instruments available in the market. Staff invested funds in fixed income securities, as well as, the High Interest Savings Account (HISA) and equity portfolio offered by the One Investment Program. This program is a pooled investment 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, 2018, with individual securities 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 to the West Parry Sound District Museum
- Investment in Lakeland Holdings Inc.

The bank accounts held with the Bank of Nova Scotia are interest bearing accounts earning interest between 1.55% and 2.3% in 2018 depending on the prime rate.

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, currently has an interest rate of 2.415% (Prime less 1.535%) similarly to other interest-bearing accounts and is regarded as a comparatively safe investment vehicle. The equity investment, however, involves a high level of risk as preservation of capital is not guaranteed in equity investments.

The GICs are not as liquid in that early redemption will result in 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 reduced liquidity of GICs and bonds, investments in these instruments were structured in such a way that funds were divided into smaller 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 2018, the museum repaid \$277.00 of the loan principle.

3. Portfolio Mix and Realized / Unrealized Gains or Losses

The Town's investment portfolio is summarized as follows:

	2018			2017		
	Balance at Dec 31 (\$)	% of Portfolio	Realized Gain	Unrealized Gain/ (loss) (\$)	Balance at Dec 31 (\$)	Realized Gain
Operating Bank Accounts	5,359,491	25.7%	129,661	-	8,383,528	215,451
High Interest Savings Account - One Investment	4,738,370	22.7%	91,024	-	1,647,347	3,633
Guaranteed Investment Certificates	2,955,919	14.2%	79,798	-	4,161,109	64,701
Fixed Rate Bonds	1,003,815	4.8%	28,481	(2,350)	1,002,348	5,125
Equity - One Investment	900,000	4.3%	-	22,557	900,000	-
Loan to West Parry Sound District Museum	23,798	0.1%	300	-	24,375	463
Investment in Lakeland Holdings Inc.	5,855,104	28.1%	294,878	-	5,855,104	236,292
Total Cash and Investments	20,836,496	100.00%	624,142	20,207	21,973,811	525,665

The investment duration of the GICs and fixed rate bonds held by the Town ranges from 1 to 5 years. The total holdings in these two categories were 14.2% of the portfolio, which is within the target range of 0% to 60% specified in the Investment Policy.

The portfolio had a balance of \$20,836,496 at the end of 2018 and generated total investment income of \$624,142 during the year, compared to \$525,665 in 2017. In addition, 2018 had an unrealized gain of \$20,207, consisting of \$22,557 unrealized gain from the equity holdings net of \$2,350 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 \$	2018		2017	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Scotia Bank - General Operating Account	2,664,622	77,526	5,633,304	152,780
GICs - CIBC	2,814,796	79,798	4,021,109	64,701
BMO Nesbitt Burns	1,003,815	28,481	1,002,348	5,125
Total General Funds	6,483,233	185,805	10,656,761	222,606

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, 2018 and investment income in 2018 are as follows:

Amounts in \$	2018		2017	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Sylvan Acres Cemetery	176,552	3,229	165,508	1,994
Hillcrest Cemetery	117,723	2,196	112,579	1,357
Trinity Memorial Garden	1,792	33	1,632	-
Total Trust Funds	296,067	5,459	279,719	3,351

4.3 Reserve Funds

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

Amounts in \$	2018		2017	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Capital Asset Legacy Fund	1,247,980	6,557	1,231,492	15,115
Capital Replacement Reserve Fund	271,174	7,670	456,165	5,269
Lot Levy	89,221	1,821	87,400	1,068
Development Charges	18,280	350	17,930	216
Water Development	125,596	2,332	109,583	1,311
Municipal Property	93,022	1,913	125,720	1,518
Parking	140,172	3,028	151,956	2,604
Sewer Development	121,938	2,262	105,996	1,268
Pool - in trust	46,060	942	45,140	552
EMS Severance	558,627	10,693	547,934	6,609
EMS Surplus	1,030,886	20,070	1,042,745	12,948
EMS Equipment / Capital	227,543	6,752	444,868	7,470
Fire Training	7,792	149	7,643	92
WPS Association	1,460	28	1,432	17
Smelter Wharf	374,789	7,170	325,759	3,820
Bobby Orr Hall of Fame Reserve Fund	155,647	3,975	144,332	912
Treetops Reserve Fund	1,807	180	14,122	96
Provincial Public Transit Gas Tax	50,967	768	37,247	392
BOHF Special Project	268,675	5,463	260,388	1,674
Federal Gas Tax ¹	289,914	2,751	-	-
Splashpad Reserve ²	40,765	765	-	-
Total Reserve Funds	5,162,314	85,640	5,157,852	62,953

Notes:

1. 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.
2. A Splashpad Reserve Fund Account was set up in 2018 as per Resolution # 2018-019 for the allocated \$40,000.

Of the \$5,162,314 reserve funds, \$2,399,801 was invested in interest bearing accounts with Bank of Nova Scotia, \$141,122 in GICs, \$1,765,040 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 \$22,557 unrealized gain at the year end, the gain has reduced substantially for where it was at year end 2017 (\$50,257). This demonstrates the volatility of the 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 \$	2018		2017	
	Balance at December 31	Investment Income	Balance at December 31	Investment Income
Loan to West Parry Sound District Museum	23,798	300	24,375	463
Investment in Lakeland Holdings Inc.	5,855,104	294,878	5,855,104	236,292
Total Trust Funds	5,878,902	295,178	5,879,479	236,755

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, 2018

Interest Bearing Accounts

	Financial Institution	Balance	Interest Rate
Operating accounts	Bank of Nova Scotia	\$5,359,491	1.05%
High Interest Savings Account (HISA)*	One Investment	\$4,738,370	Prime - 1.535%
Total		\$10,097,861	

* As of June 3, 2019, the interest on the HISA (One Investment) is 2.415%.

Guaranteed Investment Certificates

Issuer	Face Value	Maturity Date	Interest Rate
Laurentian Bank GIC	\$500,000	10/28/19	1.7500%
Canadian Western Bank GIC	\$500,000	10/26/20	1.9000%
Canadian Western Bank GIC	\$500,000	10/26/21	1.9500%
Montreal Trust Company GIC	\$200,000	5/05/19	1.3500%
National Bank GIC	\$200,000	5/05/20	1.5000%
Laurentian Bank GIC	\$200,000	5/05/21	1.8500%
Canadian Western Bank GIC	\$200,000	5/05/22	2.0300%
CIBC Income and Growth DPTNS	\$500,000	11/01/22	1.0000%
Total	\$2,800,000		

Fixed Rate Bonds

Issuer	Face Value	Maturity Date	Coupon Rate
Bank of Nova Scotia	\$196,522	10/18/24	3.0360%
HSBC Bank Canada	\$198,602	7/07/20	1.8160%
Bank of Montreal	\$198,093	10/28/21	1.6100%
Bank of Montreal	\$198,495	7/11/22	2.2700%
Total	\$791,712		

Equity – One Investment

Face Value	\$900,000
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