

Appendix A - Background Information Provided by ONE Investment

Amendments made to the Municipal Act in 1992 allow Ontario municipalities to participate in joint municipal investment strategies. These amendments permitted municipalities to pool their investments in order to gain the opportunity to earn higher returns through access to larger, diversified, high-quality investment portfolios.

Local Authority Services -LAS (an affiliate of the Association of Municipalities of Ontario) and the CHUMS Financing Corporation (a subsidiary of the Municipal Finance Officers' Association of Ontario) both established investment pools in response to the 1992 amendments. In 1995, LAS and CHUMS combined their efforts to create a single professionally managed investment program known as ONE - The Public Sector Group of Funds (commonly referred to as the "One Funds"). ONE historically offered a Money Market Portfolio and a Bond Portfolio, but an Equity Portfolio was added in 2007 and a Corporate Bond Portfolio in 2008.

The Corporate Bond and Equity portfolios were launched as a result of 2005 amendments to the Municipal Act Eligible Investment Regulation (O. Reg. 438/97) allowing municipalities to invest in Canadian equities and longer term Canadian corporate bonds. The regulation, however, offered access to these investment types only through ONE Investment. Throughout 2006, ONE worked with a diverse committee of municipal investment practitioners to develop investment policies and operating guidelines for both the Equity and Corporate Bond Portfolios, and to select professional managers for the two new portfolios.

In February 2010 the Program was renamed "The One Investment Program". The program has continued to grow in recent years and now also welcomes investment from organizations within the broader Ontario public sector. Investors from the broader public sector include conservation authorities and municipal services boards, but the program is also available to hospitals and other segments of the MUSH sector.

In 2015, ONE Investment also launched a High Interest Savings Account (HISA) option with a Schedule 1 Canadian bank, that is fully liquid, and where all municipal investments are CDIC insured. The HISA provides a tiered competitive rate of return for municipal deposits premised on the collective investment power of the municipal sector.

In 2018, LAS and CHUMS sought an Ontario Securities Commission exemption that would permit them to provide investment advice to clients. To facilitate the exemption application, ONE Investment was incorporated as a non-profit. In November 2018, ONE Investment was granted the exemption and now offers investment management services, including professional investment advice.

Local co-mingled (pooled) government investments are not a new idea, with many having been established in jurisdictions across Canada and the United States. They have proven to be highly successful and popular investment and cash management tools for municipalities. Participation in such pools is, in fact, recognized as a recommended practice for achieving portfolio diversification and liquidity by the Government Finance Officers Association of the United States and Canada.

Since 1995, ONE Investment has successfully met the needs of Ontario municipalities by providing safe and high-quality investment opportunities. Asset levels in ONE at the end of 2019 investment are approximately \$2.3 billion. ONE provides professional investment services to more than 175 organizations, and performance has been competitive against other permitted alternative investments for Ontario municipalities.

All ONE portfolios are governed by formal investment guidelines requiring that monies be invested only in instruments allowed under the Municipal Act, with additional restrictions being established by the guidelines. All Portfolio Guidelines are available for review on the ONE Investment website: www.oneinvestment.ca.

ONE currently uses the professional investment services of MFS Investment Services for its Money Market, Bond, and Corporate Bond Portfolios, and Guardian Capital LP for its Equity Portfolio. Both organizations have billions in assets under management and have a long track record of managing large multi-customer investment pools.

The investment guidelines and manager activities for each investment portfolio are monitored by ONE staff, an independent third-party investment consultant, as well as the Investment Advisory Committee and Peer Advisory Committee, comprised of experienced investment professionals and senior public sector officials, respectively. In addition, the program also receives periodic oversight from the ONE Investment Board of Directors, comprised of municipal finance professionals, municipal administrators, and elected officials.

There is no requirement for municipalities to invest for a specified period in ONE Investment's portfolio; money can be invested, withdrawn or transferred at any time, although each of the portfolios has been established with a certain investment duration in mind. If investment/redemption instructions are provided by 4:00 p.m. on any banking day, the funds are deposited or withdrawn, as the case may be on, the next banking day. The minimum transaction amount is \$5,000 for any Portfolio. There are no penalties or fees for deposit or withdrawal at any time.

As an added value, investors also have password protected access to their account balances through a secure portion of the ONE website. Portfolio balances and unit pricing are updated daily for each investor and account.

Investment fees for all invested monies are calculated on a daily basis based on the total balance held in the account, and all performance figures provided by ONE are always posted net of fees. One Investment annual fee schedule is provided below:

- ONE Money Market Portfolio – 19 Basis Points
- ONE Canadian Government Bond Portfolio - 40 Basis Points
- ONE Canadian Corporate Bond Portfolio - 45 Basis Points
- ONE Canadian Equity Portfolio - 50 Basis Points
- ONE High Interest Savings Account – No Fees

For the fees paid, each investor receives numerous benefits, including but not limited to:

- Professional money management
- Professional investment advice

- Reduced risk through diversification and regular investment oversight
- Flexibility & liquidity of investments
- Accounting & performance reporting
- Legal costs for program related issues
- Regulatory compliance guarantee
- Lower brokerage costs

To allow for the investment of municipal funds through a co-mingled public sector investment program in order to leverage enhanced returns and reduced administration costs, it is recommended that ONE Investment's portfolios be added to the municipality's list of eligible investments.