

**Chief Financial Officer's Report to
Audit Committee
2018 April 17**

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AC2018-0442
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2017 Annual Investment Report

EXECUTIVE SUMMARY

The 2017 Annual Investment Report (see Attachment) provides an overview of investment activity, asset balances, and portfolio returns for City investments during the year. It also reports on compliance with investment policy and regulatory requirements, and risk management practices.

ADMINISTRATION RECOMMENDATION:

That the Audit Committee recommends that Council receive the 2017 Annual Investment Report for information.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2018 APRIL 17:

That Council receive the 2017 Annual Investment Report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Pursuant to The City of Calgary Investment Governance Policy (CFO001), Administration reports to Council annually, through the Audit Committee, regarding the investments of The City during the year.

BACKGROUND

City funds are invested in a diversified portfolio of financial assets consisting of money market securities, short- and long-term government and corporate bonds, global and Canadian equity investments, and direct infrastructure equity investments, to meet the investment objectives of City funds. This includes return and liquidity requirements as well, to match funds with longer-term time horizons.

The Annual Investment Report is an integral component of The City's investment governance structure and risk oversight to ensure investments are optimally managed. This report provides a summary of 2017 investment activity, asset mix, asset class and investment manager performance, as well as compliance information to the Audit Committee.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In 2017, the market value of total assets under management at The City was \$4.2 billion, down slightly from \$4.4 billion in 2016. In 2017 the City of Calgary's total portfolio (including internally and externally managed portfolios), generated a total return of 2.6 per cent on a market value basis, which exceeded the portfolio's benchmark return of 2.2 per cent, and generated \$126 million of investment income for The City.

City investments are managed by a combination of investment managers; internally by the Treasury division of the CFO's department and externally by several specialty managers retained to manage bond and equity portfolio mandates.

Stakeholder Engagement, Research and Communication

The Investment Advisory Committee ("IAC") provides oversight of City investments and monitors compliance with all applicable policies and regulations. The 2017 Annual Investment

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Report on investment holdings and performance was reviewed and approved by the IAC at its meeting on 2018 March 22.

Strategic Alignment

The management of The City's investment portfolios follows industry best practice and aligns with prudent stewardship of financial resources and sustainability of The City.

Social, Environmental, Economic (External)

Social

Prudent and responsible investment of The City's investments provides necessary financial resources and generates sustainable investment income in support of City operations and objectives.

Environmental

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

Economic (External)

Financial and economic market conditions impact both investment income earned, as well as the market valuation of The City's investment portfolios.

Financial Capacity

Current and Future Operating Budget:

Total investment income earned in 2017 was \$126 million. Investment income directly impacts the growth of City reserves and the operating budget.

Current and Future Capital Budget:

The growth in investments provides financial viability and supports the current and future capital budgets of The City.

Risk Assessment

The City of Calgary mitigates risk within its investment portfolios through a sound governance structure, adherence to government regulations, and The City's Investment Policy. Investment managers retained by The City, manage risk by investing in quality investments and ensuring sufficient diversification among holdings in their portfolios. The IAC oversees investment strategy and regularly reviews the investment activity, compliance and risk mitigation practices of both internal and external managers to meet City's investment objectives.

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REASON(S) FOR RECOMMENDATION(S):

As part of a sound governance practice, the Annual Investment Report provides the Audit Committee and Council with the reporting of The City's investment activity, asset class holdings, and performance during 2017 to meet investment objectives.

ATTACHMENT(S)

2017 Annual Investment Report