

AC2017-0303

2016 Annual Investment Report
April 20, 2017

ISC: Unrestricted

The City of Calgary

2016 Investment Summary

- ▶ In 2016, the market value of total investments under management increased from \$4.37 billion to \$4.41 billion and generated \$94.0 million of realized investment income for The City
- ▶ The Investments are managed internally by the Treasury division of the CFOD and externally by specialty managers retained to manage bond and equity portfolio mandates
- ▶ Total investments (including both internally and externally managed portfolios), returned 2.59% compared to the benchmark return of 2.04%
- ▶ Canadian interest rates remained low throughout 2016 and internally managed portfolios returned an average yield of 1.19%
- ▶ 2016 was a strong year for global equity market returns. Total equities posted a return of 13.02%. Canadian equities outperformed Global equities and returned 18.22% compared to 8.55% for Global
- ▶ Canadian short and longer term bonds provided positive returns of 1.68% and 2.37% respectively

ISC: Unrestricted

The City of Calgary

**CITY OF CALGARY
RECEIVED
IN COUNCIL CHAMBER**

APR 20 2017

ITEM: AC2017-0303 *Hem 3.4*
DISTRIBUTION
CITY CLERK'S DEPARTMENT



Investment Governance

- ▶ Investment management is guided by the City's Investment Governance Policy that establishes governance framework and responsibility for investment of City Funds
- ▶ The Investment Governance Policy also includes accountability, compliance, and reporting requirements for all investments
- ▶ The Investment Advisory Committee (IAC) is responsible for investment and risk oversight to ensure investments are optimally managed in accordance with legislation and Council Policy
- ▶ As part of sound governance, Administration reports to Council annually, through the Audit Committee
- ▶ This report provides a summary of 2016 investment activity, asset mix, asset and investment manager performance, as well as compliance information
- ▶ All internally and externally managed portfolios were in compliance with Policy in 2016



Investment Objectives

- ▶ **Preservation of Capital**
 - ✓ Primary objective for total investment portfolio
- ▶ **Risk Mitigation**
 - ✓ Diversification (asset classes and securities by sectors and geography)
 - ✓ Investment Policy constraints and limits
- ▶ **Investment returns**
 - ✓ Maximize returns relative to risk
 - ✓ Liquidity and investment time horizon considerations

CITY OF CALGARY
RECEIVED
IN COUNCIL CHAMBER

MAY 10 2017

ISC: Unrestricted

CITY CLERK'S DEPARTMENT

ITEM:

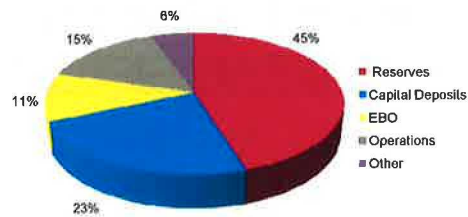


Sources of City investments

► The City of Calgary invests funds that originate primarily from the following sources:

- ✓ Reserves (operating & capital) - \$1.97 billion
- ✓ Capital Deposits (off-site levies and government grants) - \$1.01 billion
- ✓ Funded Employee Benefit Obligations (EBO) - \$480 million
- ✓ General Operations - \$655 million
- ✓ Other (Trusts & affiliated entities) - \$237 million

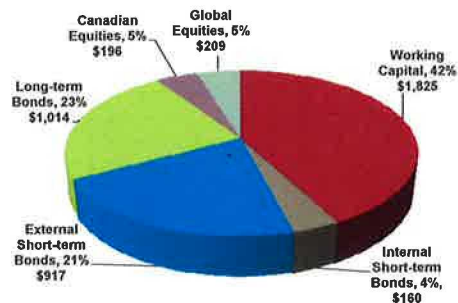
Sources of Investments - \$4.35 billion (book value)



Asset Mix - December 31, 2016

- City Funds are invested in a diversified portfolio of financial assets to meet liquidity requirements, optimize returns on a risk adjusted basis, as well as to match funds with longer time horizons
- Investments include: money market securities, term deposits, short term and long term government and corporate bonds, and global and Canadian equities, to meet the investment objectives of City Funds

Asset Mix as at December 31, 2016 – Investment balances in \$millions (excl. Trusts)





2016 Investment Performance

Annualized Rates of Return As at December 31, 2016 (%)					
	1 Year	2 Years	3 Years	4 Years	5 Years
Working Capital Return	1.19*	1.49	1.51	1.46	1.42
Working Capital Benchmark	0.51	0.57	0.68	0.76	0.79
*Includes Rec Centre bonds & Trusts					
Short Term Bond Return	1.88	2.33	2.78	2.58	2.63
Short Term Bond Benchmark	1.01	1.81	2.22	2.10	2.08
Long Bond Return – Universe bonds	2.73	3.05	5.04	3.61	3.77
Long Term Bond Benchmark	1.66	2.59	4.61	3.13	3.22
Long Bond Return – Non Universe	1.59	1.46	1.73	-	-
Benchmark	1.18	1.26	1.44	-	-
Canadian Equity Return	18.22	6.50	8.08	9.80	9.68
Canadian Equity Benchmark	21.08	5.36	7.06	8.52	8.25
Global Equity Return	8.55	5.32	7.39	12.49	13.70
Global Equity Benchmark	8.92	5.29	6.98	12.22	12.95
Return on Total Portfolio	2.59	2.27	2.62	2.50	2.45
Benchmark	2.04	1.57	1.97	1.95	1.97



Recommendation

- That the Audit Committee recommend that Council receive the 2016 Annual Investment Report for information