

## City of Calgary

### 2020 Annual Investment Report AC2021-0535

### Audit Committee



# Investment Objectives

The City has three core investment objectives that drive all strategic investment decisions:

## **1. Preservation of Capital**

- a. Primary objective for total investment portfolio

## **2. Risk Mitigation**

- a. Diversification of asset classes and security holdings by sector, geography, and style
- b. Policy constraints and limits

## **3. Investment Returns**

- a. Maximization of returns, relative to risk
- b. Key considerations related to liquidity and investment time horizon requirements

## Sources of Funds

The City of Calgary invests funds that stem from the following sources:

**Reserves:** operating, capital and sustainment

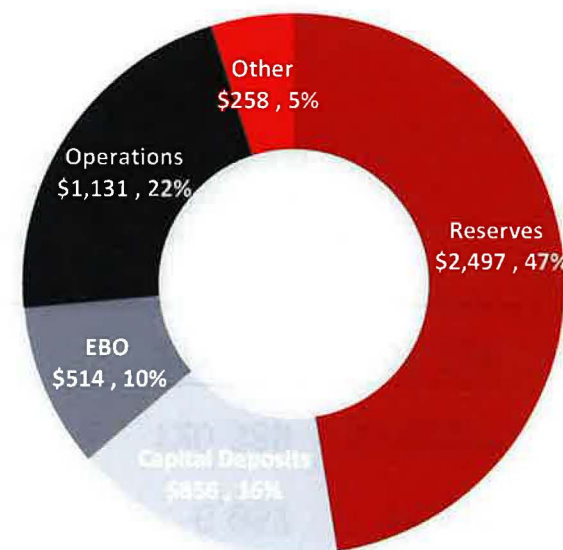
**Capital Deposits:** off-site levies and government grants

**Funded Employee Benefit Obligations (EBO)**

**General Operations**

**Other:** trusts and affiliated entities

### Sources of Funds



## Summary of Investments

As at 2020 December 31 the market value of The City's total investment portfolio was \$5.3 billion, up \$0.7 billion (\$0.3 billion – externally managed investment performance, \$0.4 – net contributions) from \$4.6 billion in 2019.

	2020	2019
<b>Internal Management</b>	<b>1,034</b>	<b>815</b>
Short-Term Liquidity*	1,034	815
<b>External Management</b>	<b>4,222</b>	<b>3,769</b>
Short-Term Fixed Income	1,833	1,634
Canadian Universe/Global Fixed Income	1,635	1,487
Equities	533	459
Real Assets	195	171
FX Overlay	26	18
<b>Total Assets Under Management*</b>	<b>5,256</b>	<b>4,584</b>

\*Short-Term Liquidity balance is inclusive of \$159 million outstanding commercial paper.



## Investment Income

In 2020, The City of Calgary's total portfolio generated \$165.4 million of investment income before allocations and fees. Investment income is based on realized gains/losses, interest and dividends and excludes unrealized gains/losses.

<b>Annual Investment Income (\$ '000s) as at December 31</b>	<b>2019</b>	<b>2020</b>
Allocations to Self-Supporting Business Units and Capital Deposits	43,097	51,954
Transfers to Reserves from Operations	41,019	46,991
Expenditures (net of receivables)	6,957	11,152
General Investment Income	120,389	57,622**
<b>Corporate Total Investment Income</b>	<b>211,462</b>	<b>167,720</b>

\*\*In 2020, overall investment portfolio generated general investment income of \$57.6 million versus budgeted income target of \$36 million and excess income of \$21.6 million was allocated to the Established Area Growth Change Strategy Reserve. Fidelity equity mandate was liquidated in 2019 and it led to realization of previously unrealized gains of approximately \$60 million, resulting in higher investment income in 2019 versus 2020.



# Portfolio Performance

Investment Performance	2020 Q4 Return		2020 Return		4-Year Annualized Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Infrastructure	4.0%	2.1%	6.4%	-0.6%	7.5%	6.4%
Equity	9.4%	8.7%	6.0%	13.9%	8.2%	10.5%
Private Credit	1.2%	1.7%	8.8%	8.6%		
Long-Term Bond (Global)	0.5%	-1.7%	7.4%	7.4%		
Long-Term Bond (Universe)	0.9%	0.6%	9.6%	8.7%	5.1%	4.8%
Short-Term Bond	0.7%	0.4%	5.9%	5.2%	3.1%	2.9%
Total External Portfolio	2.1%	1.2%	7.0%	7.1%	4.9%	4.8%
Short-Term Liquidity	0.2%	0.0%	1.8%	0.9%	1.9%	1.1%
Total Portfolio	1.9%	1.0%	6.5%	6.5%	4.2%	4.0%

*Note: 4-year data was not available for Global Long-Term bonds, Private Credit asset classes as mandates within the classification have inception dates in 2019.*



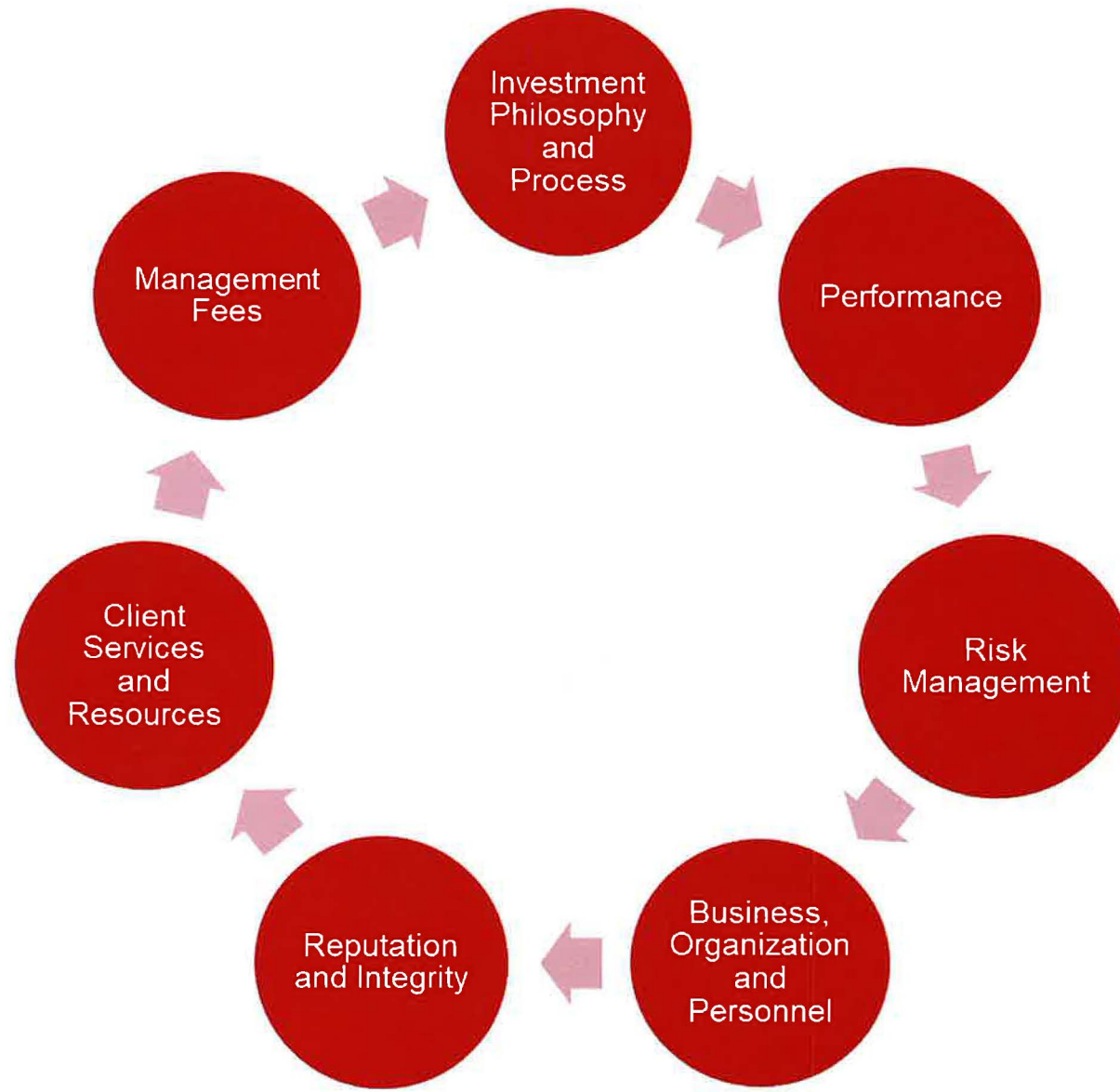
## New Asset Mix Implementation - Getting from Old To New

In order to get to the new portfolio these are the cash flow that need to occur.

Asset Class	Old Portfolio	Change	New Portfolio
Short Term Liquidity	\$ 800.00		\$ 800.00
Short term Investment	\$ 1,755.00	\$ (747.64)	\$ 1,041.00
Canadian Universe	\$ 788.00	\$ 127.00	\$ 915.00
Global Universe	\$ 825.00	\$ 90.00	\$ 915.00
Real Assets	\$ 187.00	\$ 392.00	\$ 579.00
Equity	\$ 442.00	\$ 138.00	\$ 581.00



## External Manager Evaluation Process







**Questions?**