



# The City of Calgary 2021 Annual Investment Report AC2022-0492

**Audit Committee**

**2022 April 21**





# Portfolio Overview

- As at 2021 December 31 the market value of The City's total investment portfolio was \$6.1 billion, an increase of \$0.8 billion from \$5.3 billion in 2020
- The City of Calgary's total portfolio generated a 1-year return of 2.06% after fees on a market value basis, which outperformed the overall benchmark by 79bps

	Q4/21	Annualized Returns				Annual Returns				
		1 Year	3 Years	5 Years	ITD	2021	2020	2019	2018	2017
<b>City of Calgary Consolidated</b>	<b>0.98</b>	<b>2.06</b>	<b>5.00</b>	<b>3.78</b>	<b>3.28</b>	<b>2.06</b>	<b>6.53</b>	<b>6.46</b>	<b>1.48</b>	<b>2.51</b>
Benchmark	0.99	1.28	4.47	3.44	2.89	1.28	6.65	5.55	1.62	1.28
Value Added	-0.01	0.79	0.53	0.34	0.39	0.79	-0.12	0.91	-0.14	0.79
<b>Short Term Liquidity</b>	<b>0.18</b>	<b>0.85</b>	<b>1.67</b>	<b>1.65</b>	<b>1.51</b>	<b>0.85</b>	<b>1.79</b>	<b>2.38</b>	<b>1.86</b>	<b>0.85</b>
Benchmark	0.05	0.17	0.89	0.92	0.82	0.17	0.86	1.65	1.38	0.17
Value Added	0.13	0.68	0.78	0.73	0.69	0.68	0.93	0.73	0.48	0.68
<b>Short Term Fixed Income</b>	<b>-0.11</b>	<b>0.00</b>	<b>2.93</b>	<b>2.49</b>	<b>2.49</b>	<b>0.00</b>	<b>5.93</b>	<b>2.95</b>	<b>2.83</b>	<b>0.00</b>
Benchmark	-0.49	-0.93	2.35	2.10	2.08	-0.93	5.19	2.89	2.76	-0.93
Value Added	0.38	0.94	0.59	0.40	0.41	0.94	0.75	0.06	0.07	0.94
<b>Long Term Fixed Income</b>	<b>0.82</b>	<b>-0.63</b>	<b>5.03</b>	<b>4.14</b>	<b>3.56</b>	<b>-0.63</b>	<b>8.53</b>	<b>7.43</b>	<b>2.98</b>	<b>-0.63</b>
Benchmark	0.56	-2.59	3.92	3.55	3.11	-2.59	8.23	6.45	3.65	-2.59
Value Added	0.26	1.96	1.11	0.59	0.44	1.96	0.30	0.98	-0.67	1.96
<b>Equities</b>	<b>4.11</b>	<b>12.07</b>	<b>13.77</b>	<b>8.95</b>	<b>9.75</b>	<b>12.07</b>	<b>5.98</b>	<b>23.99</b>	<b>-6.36</b>	<b>12.07</b>
Benchmark	6.36	17.53	19.31	12.08	11.13	17.53	14.80	25.88	-8.66	17.53
Value Added	-2.25	-5.46	-5.54	-3.13	-1.38	-5.46	-8.82	-1.89	2.30	-5.46
<b>Real Assets</b>	<b>2.39</b>	<b>9.92</b>	<b>11.77</b>	<b>7.99</b>	<b>7.99</b>	<b>9.92</b>	<b>6.41</b>	<b>19.39</b>	<b>5.16</b>	<b>9.92</b>
Benchmark	3.59	10.43	8.49	7.57	7.57	10.43	1.28	14.19	5.79	10.43
Value Added	-1.20	-0.51	3.28	0.42	0.42	-0.51	5.13	5.19	-0.63	-0.51
<b>Currency Hedge Overlay</b>	<b>0.29</b>	<b>1.10</b>	<b>1.21</b>	<b>n.a.</b>	<b>0.42</b>	<b>1.10</b>	<b>0.82</b>	<b>1.72</b>	<b>-1.96</b>	<b>n.a.</b>
Benchmark	0.00	0.00	0.00	n.a.	0.00	0.00	0.00	0.00	0.00	n.a.
Value Added	0.29	1.10	1.21	n.a.	0.42	1.10	0.82	1.72	-1.96	n.a.

Despite a volatile 2021, the Consolidated Portfolio was still able to exceed benchmark returns



# Sources of Funds

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

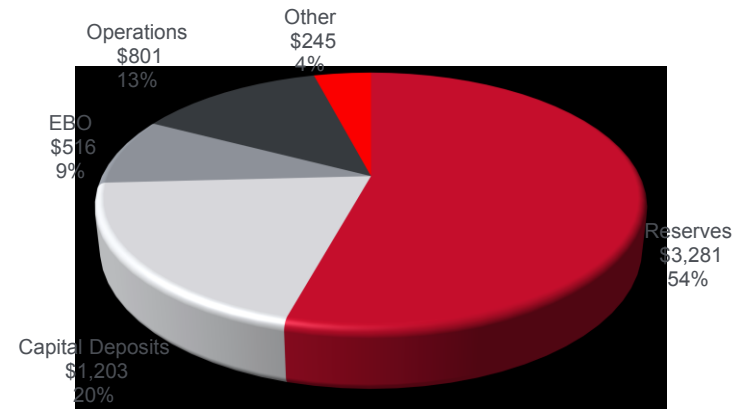
**Reserves:** operating, capital and sustainment

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

**Funded Employee Benefit Obligations (EBO)**

**General Operations**

**Other:** trusts and affiliated entities



# Investment Income

Annual Investment Income (\$ millions) as at December 31	2017	2018	2019	2020 *	2021
<b>Corporate Total Investment Income</b>	<b>125.6</b>	<b>73.6</b>	<b>211.5</b>	<b>167.7</b>	<b>168.1</b>
Allocations to Self-Supporting Business Units and Capital Deposits	40.2	22.0	43.1	52.0	48.5
Transfers to Reserves from Operations	27.2	19.0	41.0	47.0	43.1
Expenditures (net of receivables)	7.0	2.4	7.0	11.2	17.0
<b>General Investment Income</b>	<b>51.2</b>	<b>30.2</b>	<b>120.4</b>	<b>57.6</b>	<b>59.4</b>

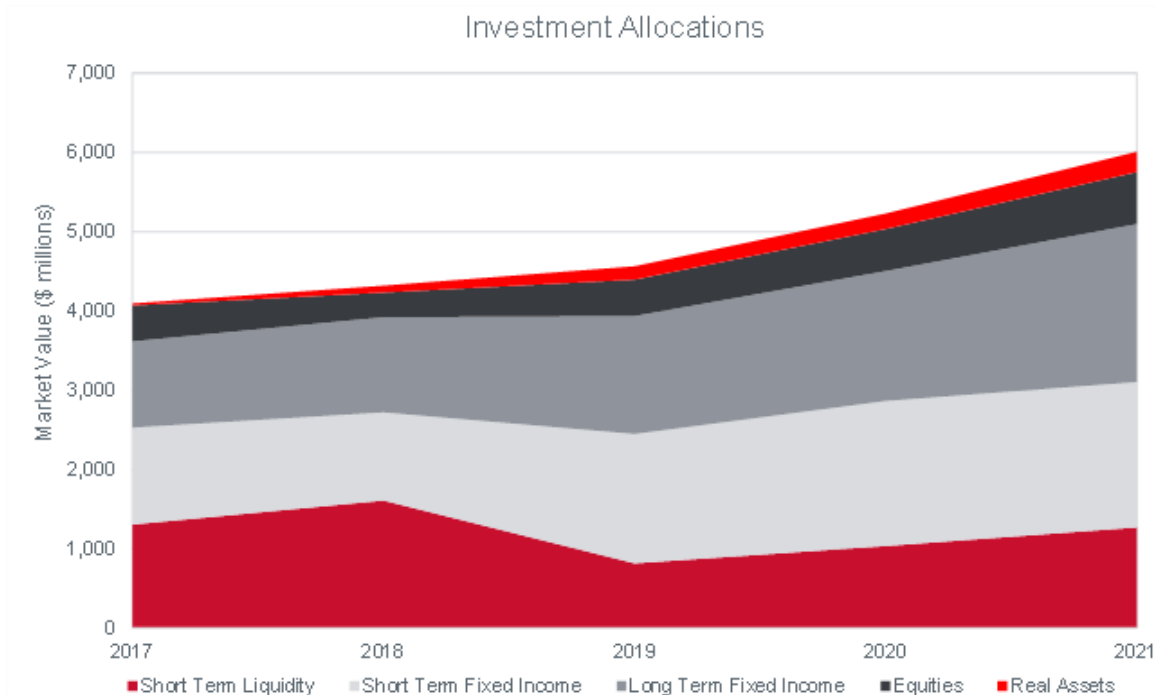
\*2020 Net income in excess of budgeted \$36M net income was allocated to the Established Area Growth Change Strategy Reserve.

Annual investment income generated for Program 858 was the second highest amount in the past 5 years



# Investment Allocation

- Short Term Liquidity portfolio has decreased from 32% to 21% of consolidated portfolio since 2017
- Longer Term asset classes have grown since 2017
  - Equities market value has grown from \$452 million to \$656 million
  - Real Assets market value has grown from \$27 million to \$257 million (excl. \$245 million of committed capital not yet deployed)
  - Private Credit has risen from \$4 million to \$279 million (excl. \$33 million of committed capital not yet deployed)



Longer term asset classes have had a large increase in AUM over the past 5 years



# Short Term Fixed Income

- As at 2021 December 31, the market value of The City’s Short Term Fixed Income portfolio was \$1,833 million
- The Short Term Fixed Income portfolio returned 0.0%, exceeding the benchmark return by 94bps

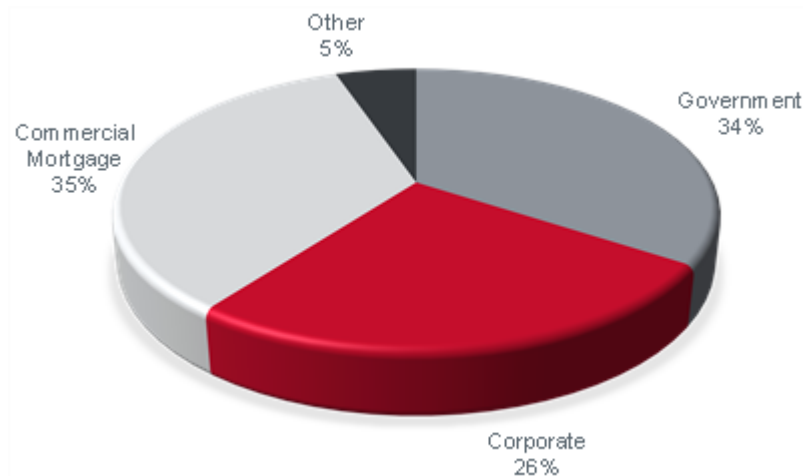
## Composition

Mandate	AUM (\$ millions)	% of portfolio	Current Yield (%)	Duration (years)
Addenda Mortgage	124.3	7%	2.69%	2.0
CC&L Short Term	454.9	25%	1.40%	2.6
PH&N Short Term	539.8	29%	1.43%	2.5
PH&N Mortgage Pension Trust	367.8	20%	2.28%	3.3
Sun Life Mortgage Fund	112.1	6%	2.56%	4.5
Short-Term Bonds (Internal)	234.0	13%	n.a.	1.9
<b>Short Term Bonds</b>	<b>1,832.9</b>			

## Assets Under Management

	\$ millions
<b>Opening Net Asset Value - January 1, 2021</b>	<b>1,804.8</b>
Cash Flows	28.3
Portfolio Gains & Losses*	-0.2
<b>Closing Net Asset Value - December 31, 2021</b>	<b>1,832.9</b>

## Sector Allocation



\*Includes realized/unrealized capital gains and losses, dividends, and interest income

Mortgage mandates helped offset negative returns from short term public bond mandates



# Long Term Fixed Income

- As at 2021 December 31, the market value of The City’s Long Term Fixed Income portfolio was \$1,996 million
- The Long Term Fixed Income portfolio returned -0.63%, exceeding the benchmark return by 196bps

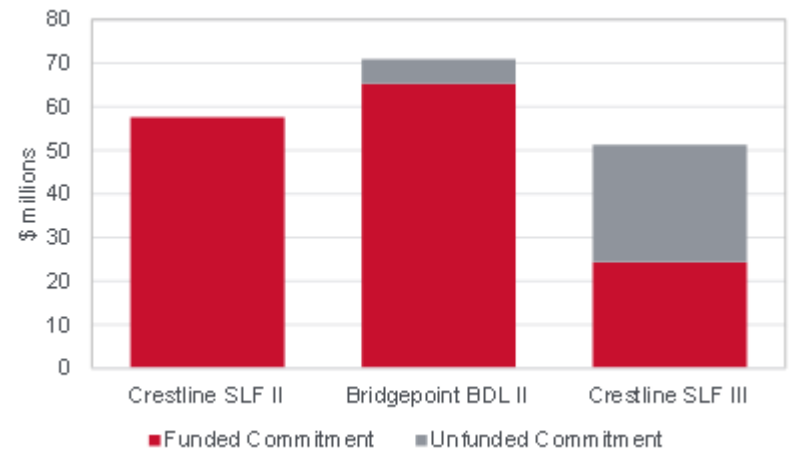
## Composition

Mandate	AUM (\$ millions)*	% of portfolio	Current Yield (%)	Duration (years)
CC&L Universe	370.6	19%	2.00%	8.3
PH&N Universe	374.6	19%	1.97%	8.1
BlackRock Universe	170.8	9%	n.a.	n.a.
<b>Canadian Universe</b>	<b>916.0</b>	<b>46%</b>		
Pimco US IG	400.2	20%	2.98%	7.6
Manulife Strategic Income	202.8	10%	2.73%	3.8
BlackRock FIGO	198.1	10%	n.a.	n.a.
<b>Global Fixed Income</b>	<b>801.1</b>	<b>40%</b>		
Sun Life PFIP	167.0	8%	3.19%	6.7
Crestline SLF II	46.0	2%	n.a.	n.a.
Crestline SLF III	11.7	1%	n.a.	n.a.
Bridgepoint BDL II	54.2	3%	6.20%	n.a.
<b>Private Debt</b>	<b>279.0</b>	<b>14%</b>		
<b>Long Term Fixed Income</b>	<b>1,996.1</b>			

## Assets Under Management

	\$ millions
<b>Opening Net Asset Value - January 1, 2021</b>	<b>1,635.0</b>
Cash Flows	369.0
Portfolio Gains & Losses*	-7.8
<b>Closing Net Asset Value - December 31, 2021</b>	<b>1,996.1</b>

## Committed Capital



\*Includes realized/unrealized capital gains and losses, dividends, and interest income

Private Credit mandates helped offset negative returns from longer term public bonds



# Equities

- As at 2021 December 31, the market value of The City’s Equity portfolio was \$656 million
- The Equity portfolio returned 12.07%, which trailed the benchmark return by 546bps

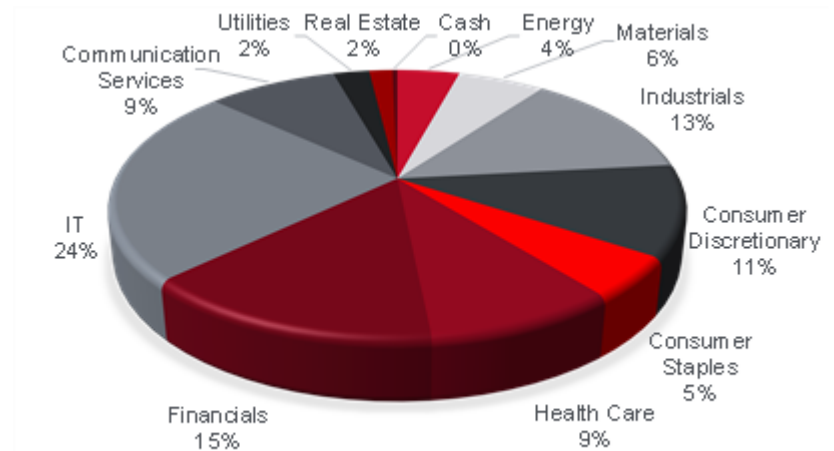
## Composition

Mandate	AUM (\$ millions)	% of portfolio	Strategy	Current Yield (%)
Vanguard S&P 500 ETF	209.7	32%	Passive	1.56%
CC&L International	195.7	30%	Quantitative	2.50%
Wasatch Small Cap	134.8	21%	Active	0.45%
Ashmore Emerging Markets	115.6	18%	Active	1.92%
<b>Equities</b>	<b>655.8</b>			

## Assets Under Management

	\$ millions
<b>Opening Net Asset Value - January 1, 2021</b>	<b>411.6</b>
Cash Flows	173.6
Portfolio Gains & Losses*	70.5
<b>Closing Net Asset Value - December 31, 2021</b>	<b>655.8</b>

## Sector Allocation



\*Includes realized/unrealized capital gains and losses, dividends, and interest income

Emerging markets were the biggest detractor from returns in 2021



# Real Assets

- As at 2021 December 31, the market value of The City’s Real Assets portfolio was \$257 million
- The Real Assets portfolio returned 9.92%, trailing the benchmark by 51 bps

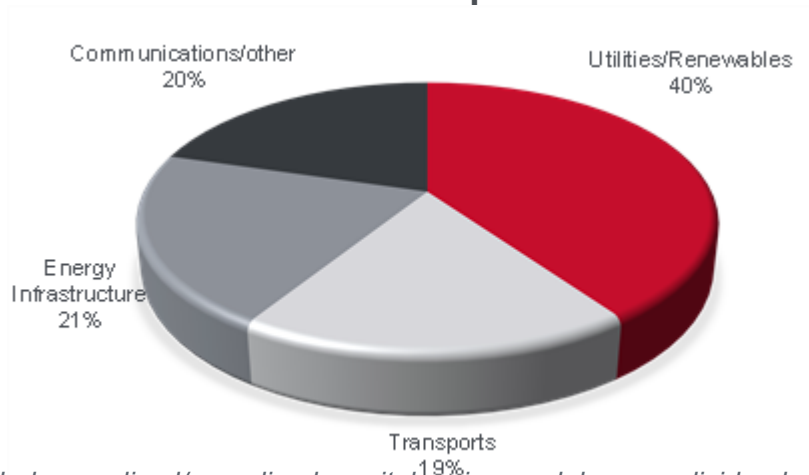
## Composition

Mandate	AUM (\$ millions)**	% of portfolio	Current Yield (%)	Inception Date*
Brookfield Global Listed Infra	74.3	29%	3.10%	Mar-15
Northleaf NICP II & NSIP	141.5	55%	2.80%	Jan-17
Northleaf NICP III	28.7	11%	n.m.	Mar-21
BlackRock GRP III	12.5	5%	n.m.	Jun-21
<b>Real Assets</b>	<b>257.0</b>			

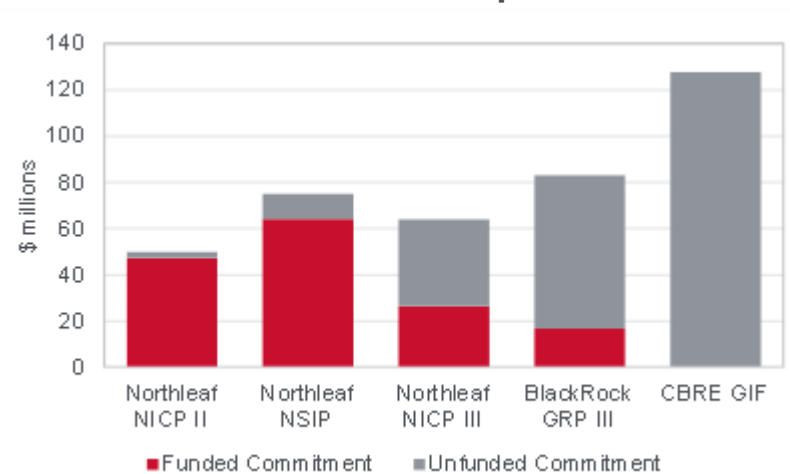
## Assets Under Management

	\$ millions
<u>Opening Net Asset Value - January 1, 2021</u>	<u>194.6</u>
Cash Flows	40.6
<u>Portfolio Gains &amp; Losses*</u>	<u>21.9</u>
<b>Closing Net Asset Value - December 31, 2021</b>	<b>257.0</b>

## Sector Capital



## Committed Capital



\*Includes realized/unrealized capital gains and losses, dividends, and interest income

The City plans to add a real estate allocation in 2022





**Questions?**