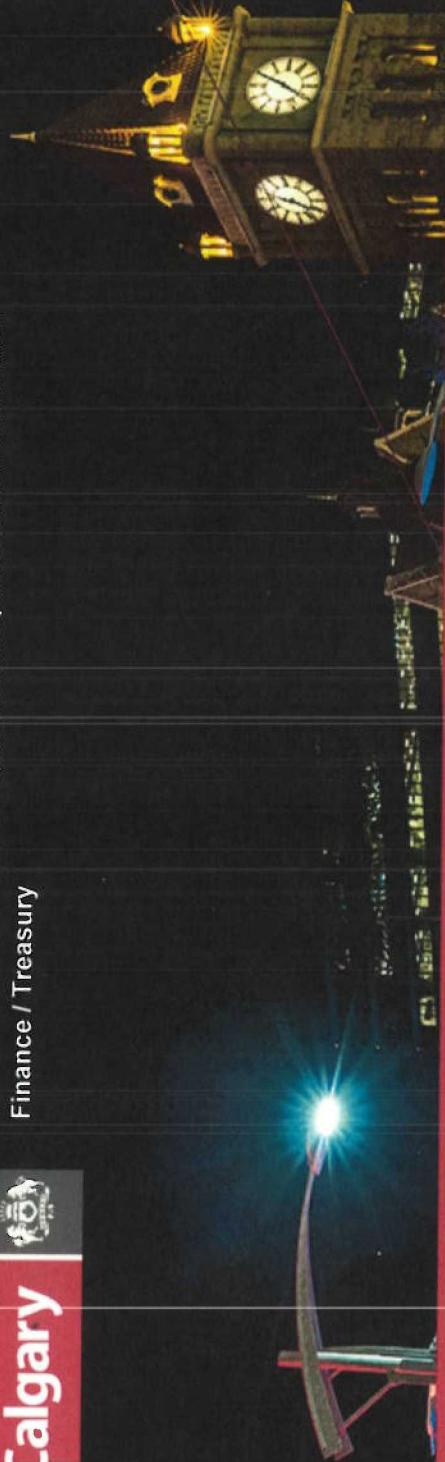


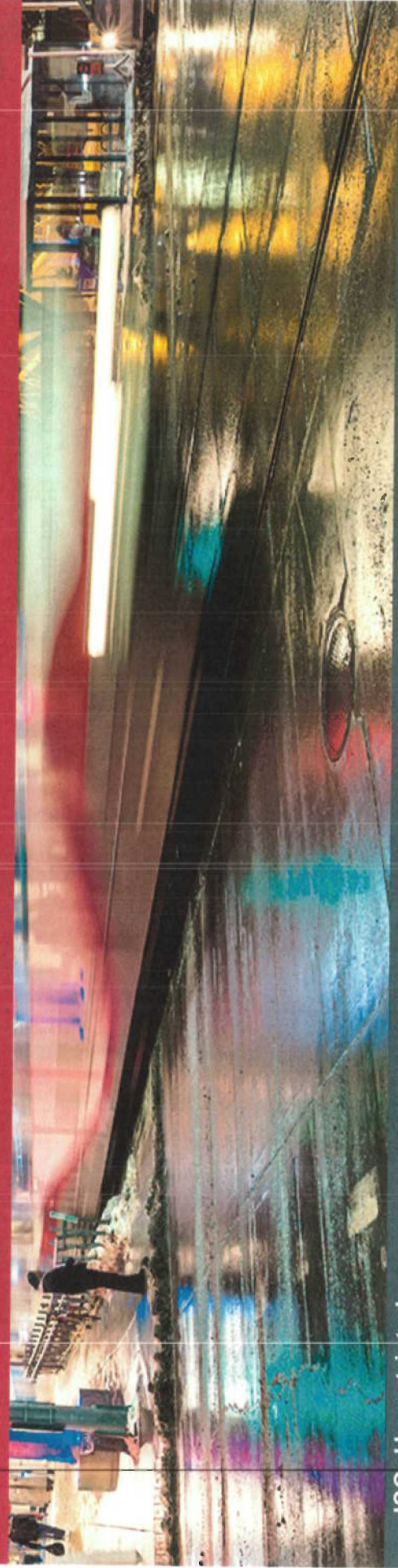


AC2016-0327

2015 Annual Investment Report

April 14, 2016

CITY OF CALGARY
RECEIVED
IN ENGINEERING TRADITIONS ROOM
APR 14 2016
ITEM: 44 AC2016-0327
Distribution
CITY CLERK'S OFFICE



2015 Investment Summary

- ▶ In 2015, the market value of total investments under management increased from \$3.96 billion to \$4.37 billion and generated \$96.6 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 1.95% compared to the benchmark return of 1.11%
- ▶ 2015 was a weak year for global equity market returns. Total equities posted a return of -0.75%. Global equities outperformed Canadian equities and returned 2.19% compared to -4.05% for Canada
- ▶ Canadian short and longer term bonds provided positive returns of 2.99% and 2.68% respectively
- ▶ Short-term interest rates declined throughout 2015 and internally managed portfolios returned an average yield of 1.78%.

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 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 2015 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 2015

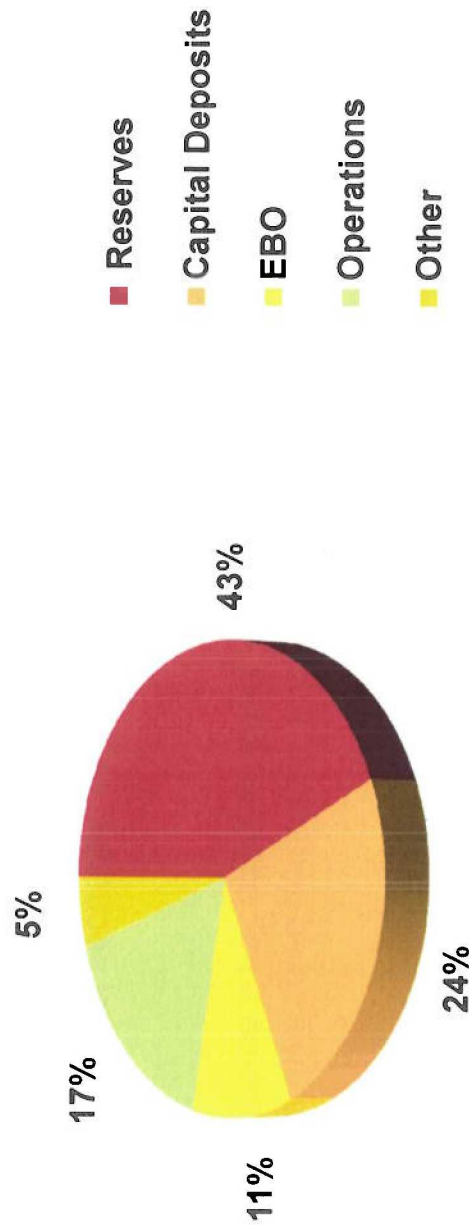
Investment Objectives

- ▶ **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

Sources of City investments

- ▶ The City of Calgary invests funds that originate primarily from the following sources:
 - ✓ Reserves (operating & capital) - \$1.88 billion
 - ✓ Capital Deposits (off-site levies and government grants) - \$1.05 billion
 - ✓ Funded Employee Benefit Obligations (EBO) - \$455 million
 - ✓ General Operations - \$765 million
 - ✓ Other (Trusts & affiliated entities) - \$220 million

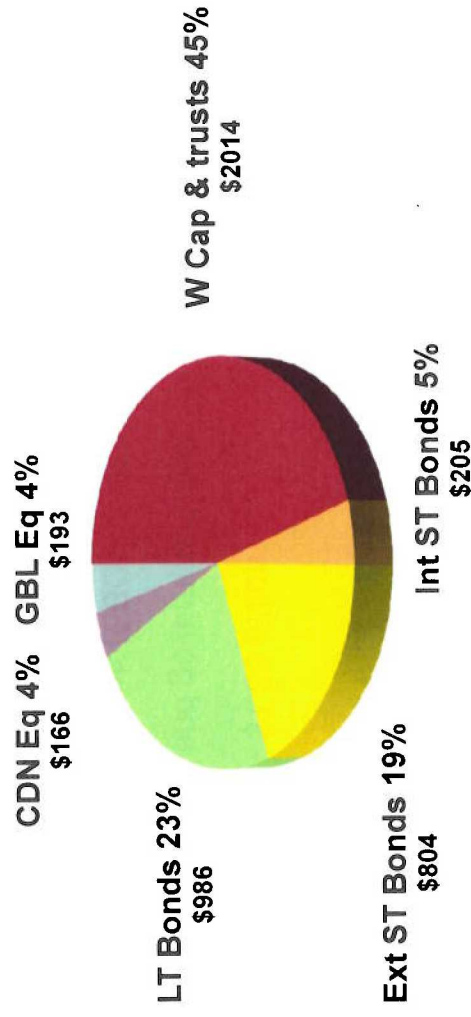
Sources of Investments - \$4.37 billion



Asset Mix - December 31, 2015

- ▶ 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, 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, 2015 – Investment balances in \$millions



2015 Investment Performance

Annualized Rates of Return As at December 31, 2015 (%)					
	1 Year	2 Years	3 Years	4 Years	5 Years
Working Capital Return	1.78*	1.66	1.55	1.48	1.43
Benchmark	0.63	0.77	0.85	0.89	0.91
*includes Recreation Centre bonds					
Short Term Bond Return	2.99	3.33	2.88	2.86	3.10
Benchmark	2.61	2.84	2.47	2.35	2.81
Long Bond Return – Universe bonds	3.38	6.21	3.91	4.03	5.01
Benchmark	3.52	6.12	3.63	3.62	4.80
Canadian Equity Return	-4.05	3.34	7.14	7.64	3.79
Benchmark	-8.32	0.68	4.62	5.26	2.30
Global Equity Return	2.19	6.82	13.83	15.03	10.05
Benchmark	1.78	6.02	13.34	13.98	9.76
Return on Total Portfolio	1.95	2.64	2.53	2.50	2.45

Recommendation

- ▶ That the Audit Committee recommend that Council receive the 2015 Annual Investment Report for information

