

**Calgary**



AC2026-0094  
Attachment 2

# 2025 City of Calgary Annual Investment Report

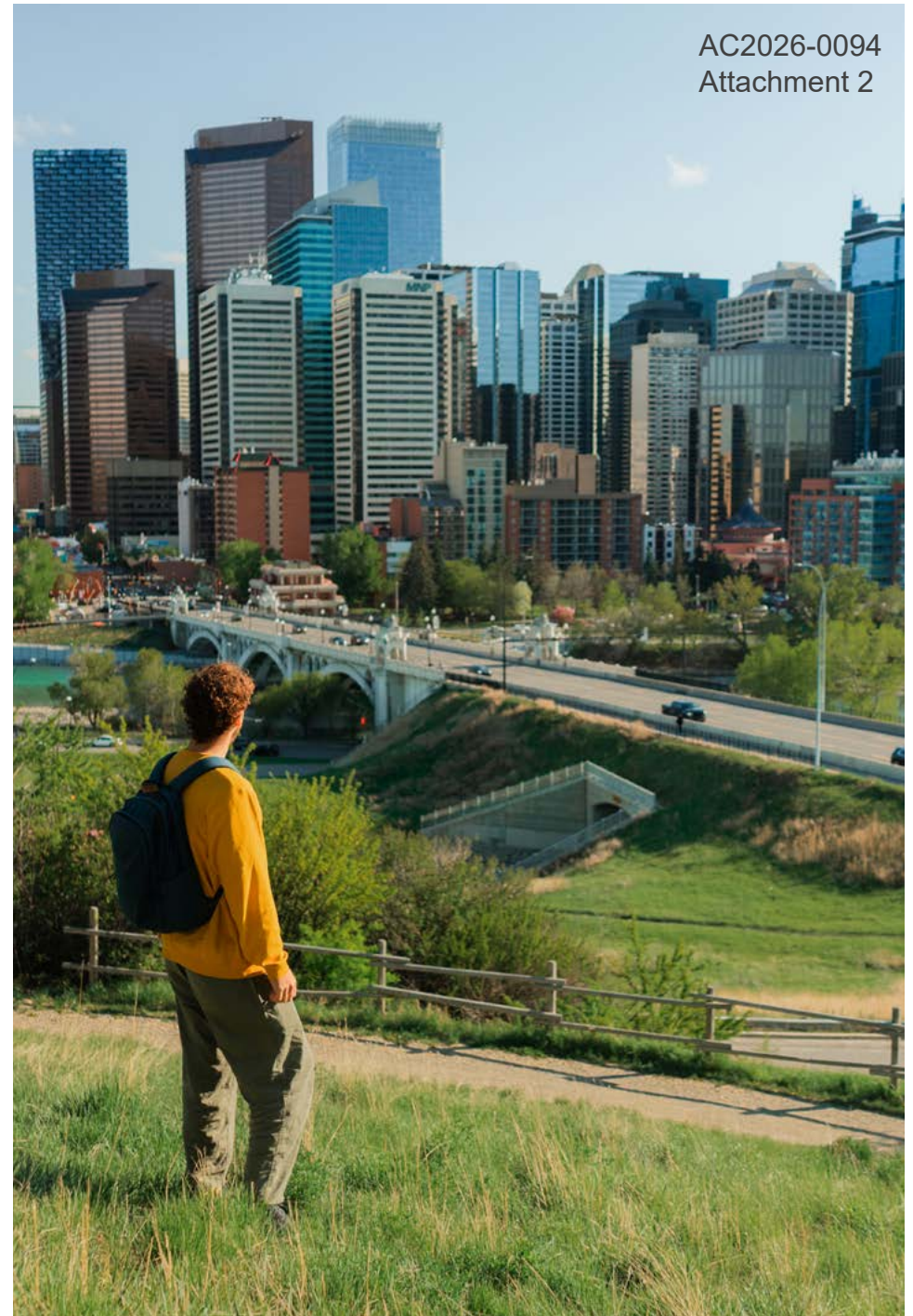
**Corporate Planning & Financial Services**



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# Introduction

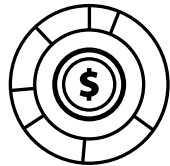
This Annual Investment Report<sup>(1)</sup> provides a comprehensive overview of the performance of The City of Calgary's (The City) Consolidated Investment Portfolio in 2025, including key financial metrics, market analysis, and insights into our sources of funds for investment, governance and investment strategy. The City's investment activities are not undertaken in isolation; rather, the availability and characteristics of funds for investment are shaped by prior decisions made by Council regarding the level and timing of services provided to Calgarians, as well as investments in infrastructure and capital projects.

In this context, the investment portfolio represents a financial outcome of Council-approved policies and service delivery priorities. The role of the investment program is to responsibly steward these funds, preserving capital, maintaining liquidity, managing risk and generating risk-adjusted returns in alignment with The City's financial policies and long-term fiscal objectives.

The City strategically allocates assets across diversified investment opportunities to preserve capital, manage risk and maintain liquidity while maximizing returns. As part of this approach, there is an increasing emphasis on generating stable income to support the ongoing needs of Calgarians. Our investment approach is guided by careful market analysis and strong governance, allowing The City to adjust to changing economic conditions while supporting long-term financial stability.

We invite you to read on to learn more about how The City's investments support its purpose to make life better every day for Calgarians.

## Headline results



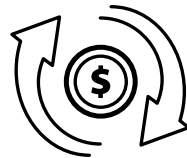
**Assets under management**

**\$7,285 million**



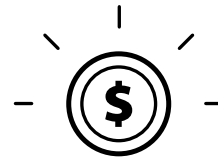
**Net assets<sup>(2)</sup>**

**\$6,887 million**



**Net return**

**5.17%**

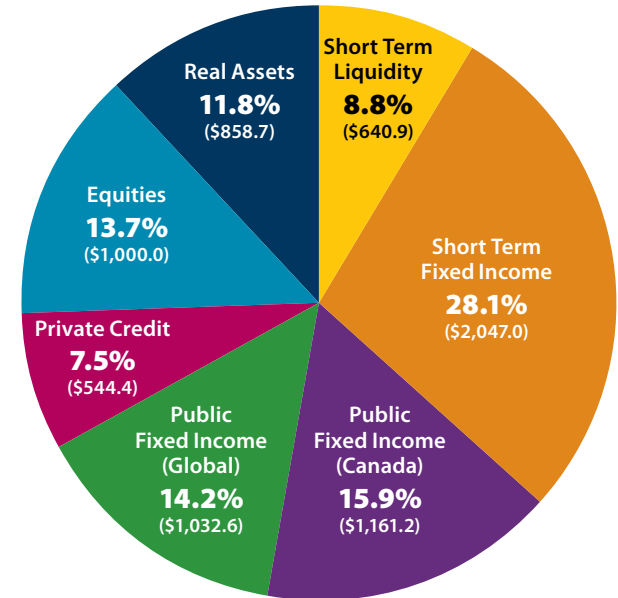


**Income available for allocation**

**\$452.9 million**

## Investment allocation

For the year ended December 31, 2025  
Per cent (\$ millions)



<sup>1</sup> All figures and returns within the Annual Investment Report are stated in Canadian dollars unless otherwise noted. Totals within tables and charts may not add due to rounding.

<sup>2</sup> Excludes investments funded by commercial paper borrowings.

# Capital markets review

2025 was a volatile year as markets were driven by trade headlines, geopolitics, technological advancements and evolving fiscal and monetary policy. Despite the turbulence, 2025 was a positive year for most financial markets. Equities were supported by sustained momentum in the artificial intelligence buildout, alongside robust corporate earnings growth and continued resilience in consumer spending. Fixed income markets were underpinned by continued monetary policy easing, which provided a constructive backdrop for performance across the asset class.

Central banks continued to play a defining role in financial markets in 2025, with their policy actions and guidance shaping the broader investment landscape. The U.S. Federal Reserve (Fed) and the Bank of Canada (BoC) reduced interest rates by 0.75 per cent and 1 per cent, respectively, in 2025 to 3.75 per cent and 2.25 per cent, respectively.

The first half of the year was characterized by heightened uncertainty as the U.S. unveiled tariff actions on key trading partners at levels not seen in decades. Although this caused equities to sell off in early April, markets quickly recovered and went on to reach new all-time highs only a few months later. Both the MSCI All Country World Index and the S&P 500 had another year of double-digit gains. Similar to previous years, the S&P 500 return was bolstered by large U.S. technology stocks as the artificial intelligence buildout continued to accelerate. This sustained sector leadership underscored the prominent role U.S. equities continue to play in global markets.

Fixed income markets in 2025 were shaped by evolving inflation expectations, fiscal and monetary policy and global capital flows. Yield curves steepened, as short-term yields declined with lower policy rates set by central banks, while longer-term yields remained elevated as market participants gave greater attention to larger fiscal deficits and associated borrowings from all levels of government. Cash investments remained attractive, with the FTSE Canada 91 Day T-bill Index returning 2.84 per cent, while the FTSE Canada Universe Bond Index posted a slightly lower return of 2.64 per cent.

Crude oil prices (WTI, USD) declined by approximately 20 per cent in 2025, driven by oversupply, OPEC+ production increases and tariff-related economic concerns. Precious metals, including gold and silver, surged in 2025 as investors fled to safe-haven assets amid geopolitical tensions, while tightening physical supply and rising industrial demand further amplified gains.

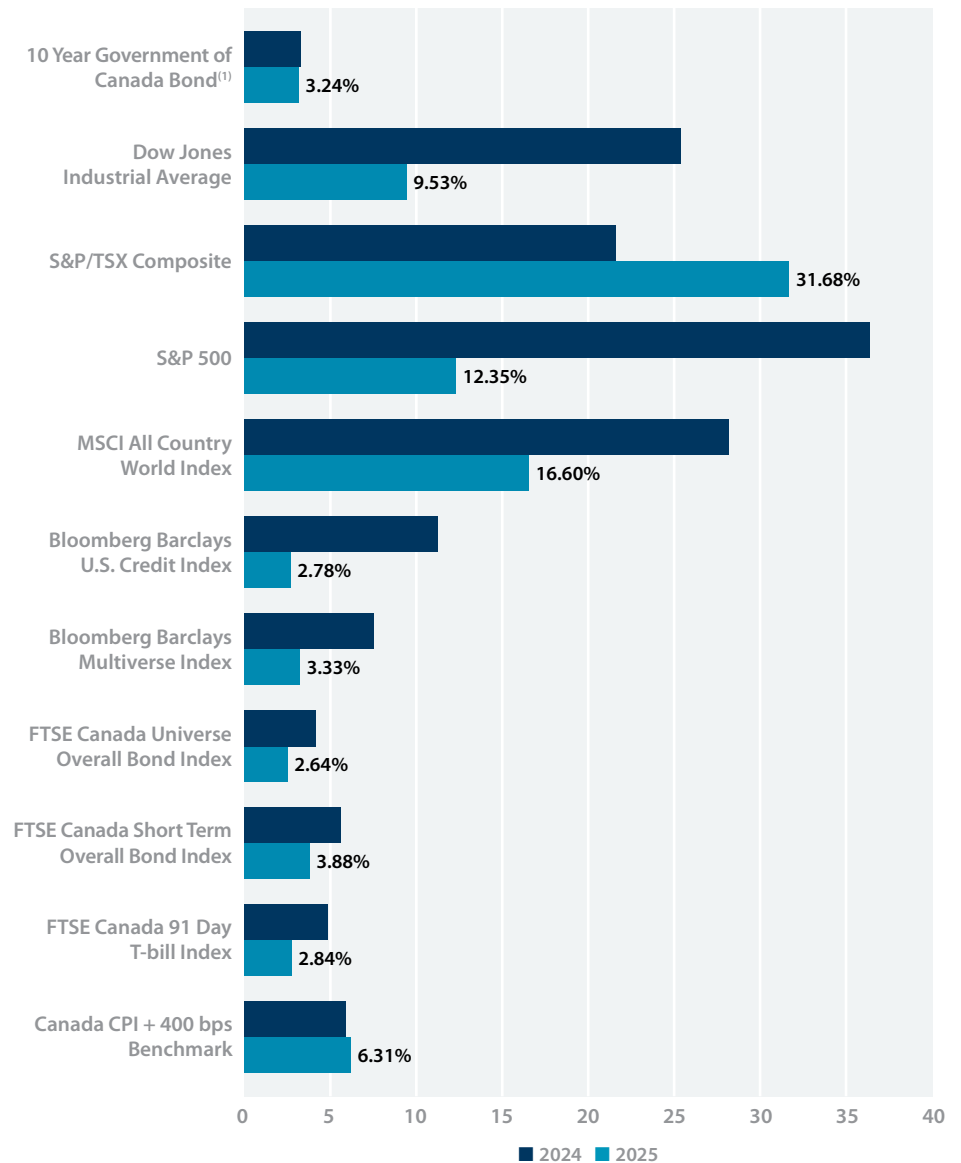
The Canadian dollar appreciated against the U.S. dollar by approximately 4.84 per cent as the U.S. dollar was broadly weaker against most developed market currencies throughout the year.

Sources: Bloomberg, CC&L, EIA, Bank of Canada, U.S. Federal Reserve

1 Average yield during 2025

## 2025 Capital markets return

Per cent



Source: State Street, eVestment, Government of Canada, Refinitiv

# Sources of investment capital

The City of Calgary invests funds from the following sources:



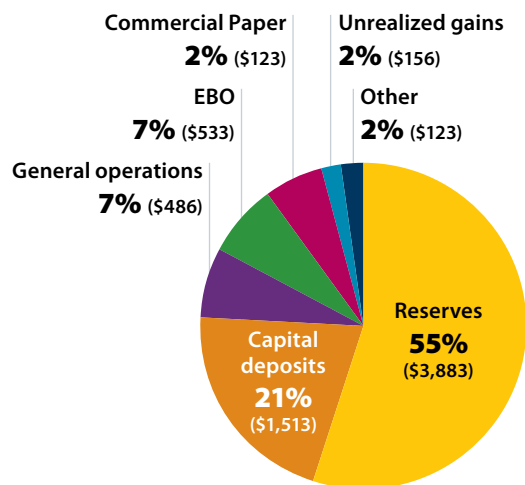
Each source of funds has its own objectives, constraints, target asset mix and income allocation rules. The composition of the full portfolio is determined by the aggregation of these individual policies according to the proportion of funds contributed by each source.

## Growth in investments

The City's Consolidated Investment Portfolio has grown by \$2,029 million since year-end 2020. The increase is driven by additions to sources of investments and investment returns.

## Investment funds by source

As at December 31, 2025  
(\$ millions)



## Sources of investments – objectives

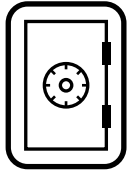
	Capital Growth	Inflation Mitigation	Income Generation	Capital Preservation	Liquidity
Reserves	●	●	●	●	●
Capital deposits	●	●	●	●	●
General operations	●	●	●	●	●
EBO	●	●	●	●	●
Commercial Paper	●	●	●	●	●
Unrealized gains	●	●	●	●	●
Other	●	●	●	●	●

● Low-priority objective ● Intermediate objective ● Primary objective

# Investment objectives

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



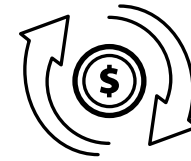
## Preservation of capital

Primary objective for Consolidated Investment Portfolio



## Risk mitigation

Diversification of asset classes and security holdings by sector, geography and style



## Investment returns

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



# Summary of investments

## Total assets under management

As at December 31, 2025, the market value of The City's Consolidated Investment Portfolio was \$7,285 million, an increase of \$193 million on a year-over-year basis. Significant resources continued to be deployed into alternative investments, such as private credit, infrastructure and real estate, over the year, funded primarily from the Short Term Liquidity program.

### Market value and cost

(\$ millions)

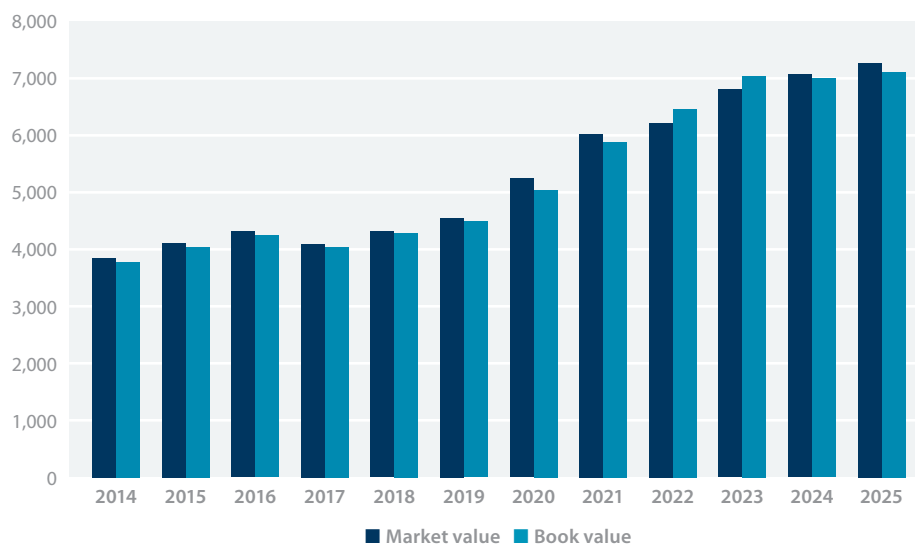
Market value	December 31, 2025
<b>Internal Management</b>	
Short Term Liquidity	570
Short Term Fixed Income	508
Public Fixed Income (Canada)	50
<b>External Management</b>	
Short Term Liquidity	71
Short Term Fixed Income	1,539
Public Fixed Income (Canada)	1,111
Public Fixed Income (Global)	1,033
Private Credit	544
Equities	1,000
Real Assets	859
<b>Total</b>	<b>7,285</b>

Book value	December 31, 2025
<b>Internal Management</b>	
Short Term Liquidity	570
Short Term Fixed Income	502
Public Fixed Income (Canada)	51
<b>External Management</b>	
Short Term Liquidity	72
Short Term Fixed Income	1,538
Public Fixed Income (Canada)	1,130
Public Fixed Income (Global)	1,049
Private Credit	544
Equities	927
Real Assets	746
<b>Total</b>	<b>7,129</b>

Totals may not add due to rounding.

### Period-end Asset Under Management (AUM)

(\$ millions)



# Summary of investments (continued)

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## Consolidated assets under management

As at December 31, 2025

Portfolio	2024 Market Value	2025 Net Cash Flows	2025 Gains or (Losses)	2025 Market Value	Per cent of Total	Unrealized Gains or (Losses)	2025 Book Value
<b>Internal Management</b>							
Short Term Liquidity	757	(214)	27	570	7.8%	0	570
Short Term Fixed Income	508	(19)	19	508	7.0%	6	502
Public Fixed Income (Canada)	0	50	0	50	0.7%	0	51
<b>External Management</b>							
Short Term Liquidity	0	68	3	71	1.0%	(1)	72
Short Term Fixed Income	1,487	(12)	64	1,539	21.1%	1	1,538
Public Fixed Income (Canada)	1,122	(49)	37	1,111	15.2%	(20)	1,130
Public Fixed Income (Global)	1,012	(29)	50	1,033	14.2%	(17)	1,049
Private Credit	412	103	29	544	7.5%	0	544
Equities	947	(104)	157	1,000	13.7%	73	927
Real Assets	826	38	(5)	859	11.8%	113	746
Currency Overlay <sup>(1)</sup>	22	(9)	(14)	–	0.0%	–	–
<b>Total</b>	<b>7,092</b>	<b>(175)</b>	<b>367</b>	<b>7,285</b>	<b>100%</b>	<b>156</b>	<b>7,129</b>
Commercial Paper <sup>(2)</sup>	(396)	(2)	0	(398)		0	(398)
<b>Total – Net of CP</b>	<b>6,696</b>	<b>(177)</b>	<b>367</b>	<b>6,887</b>		<b>156</b>	<b>6,731</b>

Source: The City of Calgary, State Street

<sup>1</sup> The Currency Overlay mandate was terminated in the second quarter of 2025

<sup>2</sup> Expenses associated with the commercial paper program have been included within Internal Management - Short Term Liquidity gains and losses.

# Investment allocation

The strategic direction of the Consolidated Investment Portfolio changed in 2020 following the approval of the CP2020-02 Investment and Governance Policy. The direction was to reallocate short-term assets to longer-term, higher-yielding and higher-returning assets.

The market value of the Consolidated Investment Portfolio has increased from \$5,256 million at year-end 2020 to \$7,285 million as of year-end 2025. During this period the allocation to longer-term asset classes grew from 56 per cent to 71 per cent. The largest absolute allocation change was in the Public Fixed Income Portfolio, which has increased from a market value of \$1,397 million to \$2,143 million. The Equities Portfolio grew from \$533 million to \$1,000 million, the Private Credit Portfolio grew from \$238 million to \$544 million and the Real Assets Portfolio grew from \$195 million to \$859 million.

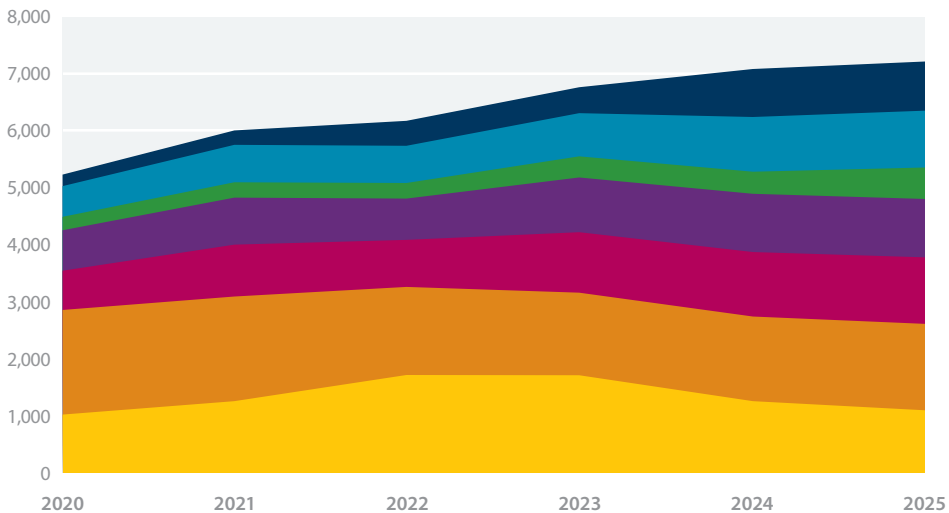
Looking forward, The City will continue to grow its exposure to longer-term asset classes through new and existing commitments, while closely monitoring portfolio liquidity to fund operations and ongoing and near-term projects for The City.

In the second quarter of 2025, The City decided to terminate its externally managed Currency Overlay mandate. Currency exposures will be managed internally.

As of year-end 2025, the Consolidated Investment Portfolio had access to \$4,717 million of investments that could be liquidated within one month or less, not including cash and cash equivalents.

## Market value

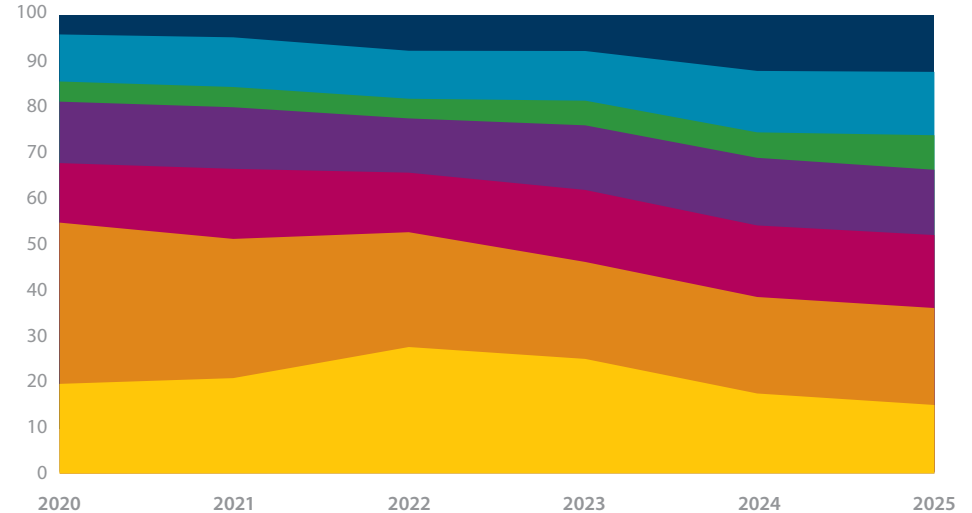
(\$ millions)



■ Short Term Liquidity ■ Short Term Fixed Income ■ Public Fixed Income (Canada) ■ Public Fixed Income (Global) ■ Private Credit ■ Equities ■ Real Assets

## Portion of portfolio

(per cent)



# Investment performance

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## Historical performance

(per cent net of fees)

Portfolio Manager/mandate	Annualized Returns				Annual Returns				
	1 Year	3 Years	5 Years	ITD	2025	2024	2023	2022	2021
<b>The City of Calgary Consolidated<sup>(1)</sup></b>	<b>5.17</b>	<b>7.40</b>	<b>3.49</b>	<b>3.46</b>	<b>5.17</b>	<b>9.19</b>	<b>7.61</b>	<b>(6.14)</b>	<b>2.06</b>
Benchmark <sup>(2)</sup>	5.58	7.27	3.17	3.14	5.58	8.50	7.35	(6.46)	1.28
<b>Value Added</b>	<b>(0.41)</b>	<b>0.13</b>	<b>0.32</b>	<b>0.32</b>	<b>(0.41)</b>	<b>0.69</b>	<b>0.26</b>	<b>0.32</b>	<b>0.79</b>
<b>Short Term Liquidity<sup>(1)</sup></b>	<b>4.33</b>	<b>5.15</b>	<b>3.75</b>	<b>2.46</b>	<b>4.33</b>	<b>5.82</b>	<b>5.19</b>	<b>2.54</b>	<b>0.85</b>
Benchmark	2.84	4.15	2.88	1.73	2.84	4.92	4.71	1.82	0.17
<b>Value Added</b>	<b>1.49</b>	<b>1.00</b>	<b>0.87</b>	<b>0.73</b>	<b>1.49</b>	<b>0.90</b>	<b>0.48</b>	<b>0.73</b>	<b>0.68</b>
<b>Short Term Fixed Income</b>	<b>4.23</b>	<b>5.25</b>	<b>2.32</b>	<b>2.62</b>	<b>4.23</b>	<b>5.89</b>	<b>5.63</b>	<b>(3.78)</b>	<b>0.00</b>
Benchmark	3.88	4.86	1.85	2.22	3.88	5.70	5.02	(4.05)	(0.93)
<b>Value Added</b>	<b>0.35</b>	<b>0.39</b>	<b>0.47</b>	<b>0.40</b>	<b>0.35</b>	<b>0.19</b>	<b>0.61</b>	<b>0.26</b>	<b>0.94</b>
<b>Public Fixed Income (Canada)</b>	<b>2.89</b>	<b>4.75</b>	<b>(0.08)</b>	<b>2.59</b>	<b>2.89</b>	<b>4.53</b>	<b>6.88</b>	<b>(11.34)</b>	<b>(2.27)</b>
Benchmark	2.64	4.51	(0.35)	2.27	2.64	4.23	6.69	(11.69)	(2.54)
<b>Value Added</b>	<b>0.25</b>	<b>0.24</b>	<b>0.27</b>	<b>0.32</b>	<b>0.25</b>	<b>0.30</b>	<b>0.19</b>	<b>0.34</b>	<b>0.27</b>
<b>Public Fixed Income (Global)</b>	<b>5.00</b>	<b>6.39</b>	<b>1.99</b>	<b>3.98</b>	<b>5.00</b>	<b>7.49</b>	<b>6.69</b>	<b>(8.06)</b>	<b>(0.34)</b>
Benchmark	3.09	4.70	0.00	2.36	3.09	7.23	3.82	(9.61)	(3.62)
<b>Value Added</b>	<b>1.91</b>	<b>1.69</b>	<b>1.99</b>	<b>1.62</b>	<b>1.91</b>	<b>0.26</b>	<b>2.87</b>	<b>1.54</b>	<b>3.27</b>
<b>Private Credit</b>	<b>5.92</b>	<b>8.28</b>	<b>5.40</b>	<b>5.84</b>	<b>5.92</b>	<b>11.16</b>	<b>7.83</b>	<b>(0.77)</b>	<b>3.26</b>
Benchmark	6.45	9.95	4.97	5.63	6.45	12.60	10.92	(4.14)	0.08
<b>Value Added</b>	<b>(0.53)</b>	<b>(1.67)</b>	<b>0.43</b>	<b>0.21</b>	<b>(0.53)</b>	<b>(1.44)</b>	<b>(3.09)</b>	<b>3.36</b>	<b>3.18</b>
<b>Equities</b>	<b>17.94</b>	<b>20.66</b>	<b>10.56</b>	<b>9.88</b>	<b>17.94</b>	<b>27.04</b>	<b>17.23</b>	<b>(16.09)</b>	<b>12.07</b>
Benchmark	16.60	21.12	12.83	11.29	16.60	28.15	18.92	(12.43)	17.53
<b>Value Added</b>	<b>1.34</b>	<b>(0.46)</b>	<b>(2.27)</b>	<b>(1.41)</b>	<b>1.34</b>	<b>(1.11)</b>	<b>(1.69)</b>	<b>(3.66)</b>	<b>(5.46)</b>
<b>Real Assets</b>	<b>(0.58)</b>	<b>6.75</b>	<b>8.49</b>	<b>8.06</b>	<b>(0.58)</b>	<b>13.41</b>	<b>7.90</b>	<b>12.41</b>	<b>9.92</b>
Benchmark	6.54	5.85	7.18	6.89	6.54	5.96	5.05	8.37	10.43
<b>Value Added</b>	<b>(7.12)</b>	<b>0.90</b>	<b>1.31</b>	<b>1.17</b>	<b>(7.12)</b>	<b>7.45</b>	<b>2.85</b>	<b>4.04</b>	<b>(0.51)</b>

Source: State Street, The City of Calgary

<sup>1</sup> The City of Calgary's Consolidated and Short Term Liquidity portfolio performance excludes High Interest Savings Accounts (HISA). The estimated 2025 return, including HISA, for the Consolidated Portfolio is 5.02 per cent against an estimated blended benchmark of 5.35 per cent. The estimated 2025 return, including HISA, for Short Term Liquidity portfolio is 3.80 per cent.

<sup>2</sup> Benchmark information is available in Appendix 1

# Contributors to return

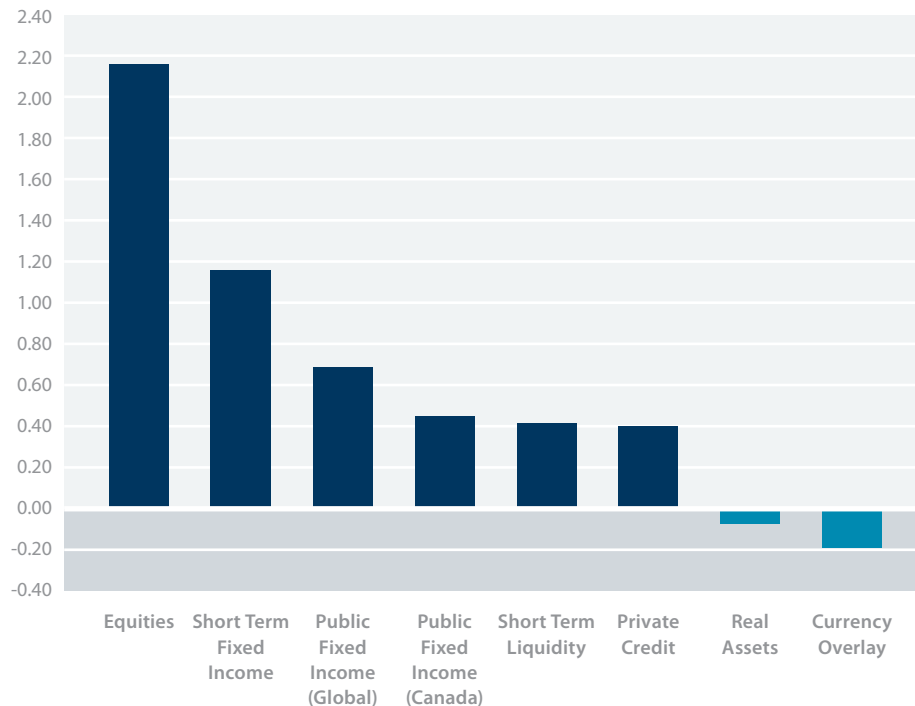
The City of Calgary's Consolidated Investment Portfolio return in 2025 was 5.17 per cent (5.02 per cent with HISAs).

The largest contributor to The City's returns in 2025 was the Equities Portfolio. Equities returns were the highest of any portfolio within The City's asset mix, both in percentage and absolute terms. Detractors included the Real Assets Portfolio, which experienced currency-related losses, and the currency overlay strategy, which was discontinued in June of 2025.

In keeping with their size, the Public and Short Term Fixed Income Portfolios also made significant contributions to The City's return. Private Credit delivered a contribution to return nearly in line with Canadian Public Fixed Income (0.40 per cent vs. 0.45 per cent) despite having less than half the assets under management at year-end (\$544 million vs. \$1,161 million).

## Portfolio contribution to return

(per cent)



# Investment income

Through December 31, 2025, The City of Calgary’s Consolidated Investment Portfolio generated \$490.4 million of investment income before expenditures and allocations. Investment income is different from investment return. Investment income includes interest, dividends and gains or losses from investments that were sold. It does not include gains or losses that have not yet been realized.

In 2025, investment income was higher than investment returns because gains from previous years were realized during the year. About half of total investment income in 2025 was generated by the Equities Portfolio, mainly driven by realized prior-year capital gains arising from portfolio rebalancing during the year and by annual distributions. The Public and Short Term Fixed Income Portfolios also contributed meaningfully to total income through recurring interest income, reflecting their role as core income-generating assets.

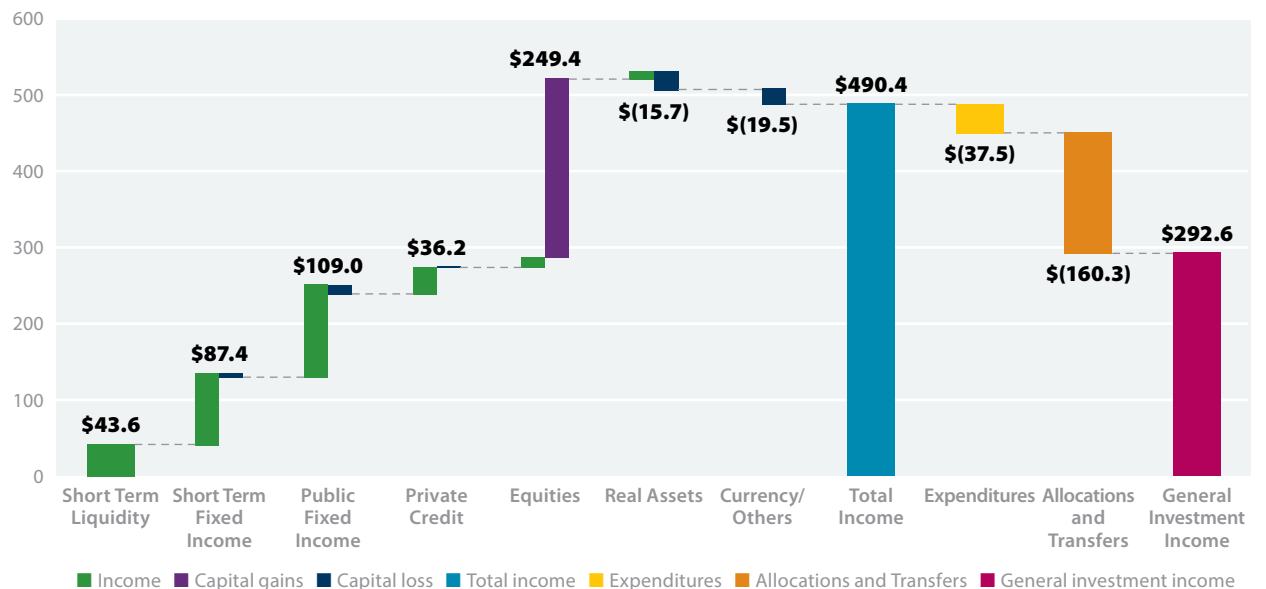
## Investment income – budget vs. actual

As at December 31, 2025  
(\$ thousands)

	2025 Budget	2025 Actual	2024 Actual
<b>Corporate Total Investment Income</b>	<b>258,059</b>	<b>490,416</b>	<b>335,567</b>
Expenditures (net of receivables)	44,640	37,540	38,673
<b>Income Available for Allocation</b>	<b>213,419</b>	<b>452,876</b>	<b>296,894</b>
Allocations to Self-Supporting Business Units and Capital Deposits	57,000	87,425	70,867
Transfer to Reserves from Operations	56,736	72,898	51,854
<b>General Investment Income</b>	<b>99,683</b>	<b>292,553</b>	<b>174,173</b>

## Investment income breakdown

(\$ millions)



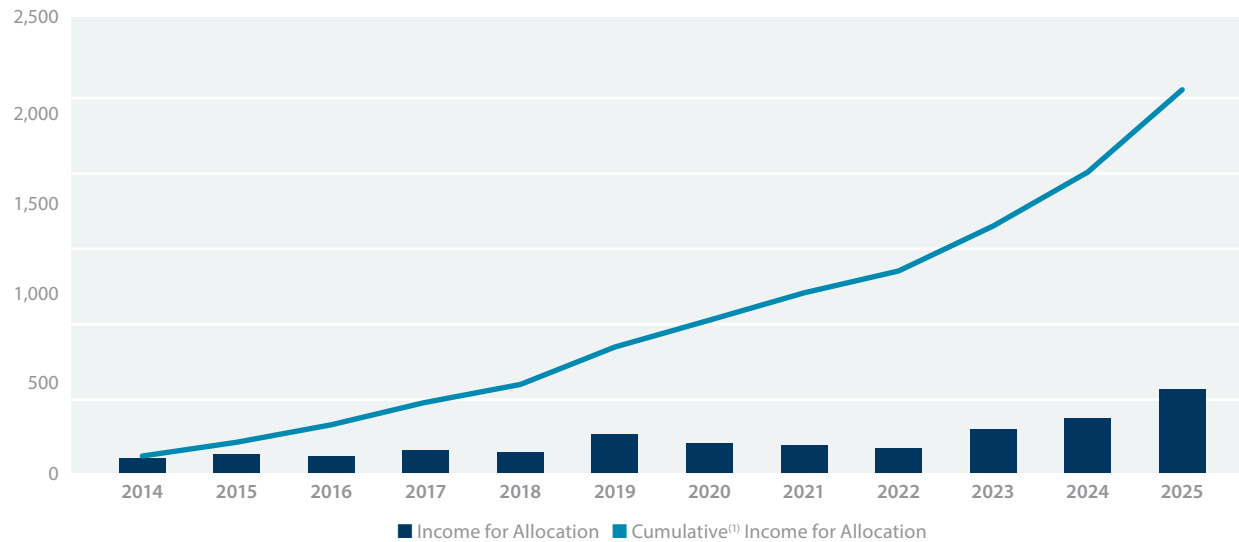
# Investment income (continued)

## Historical analysis

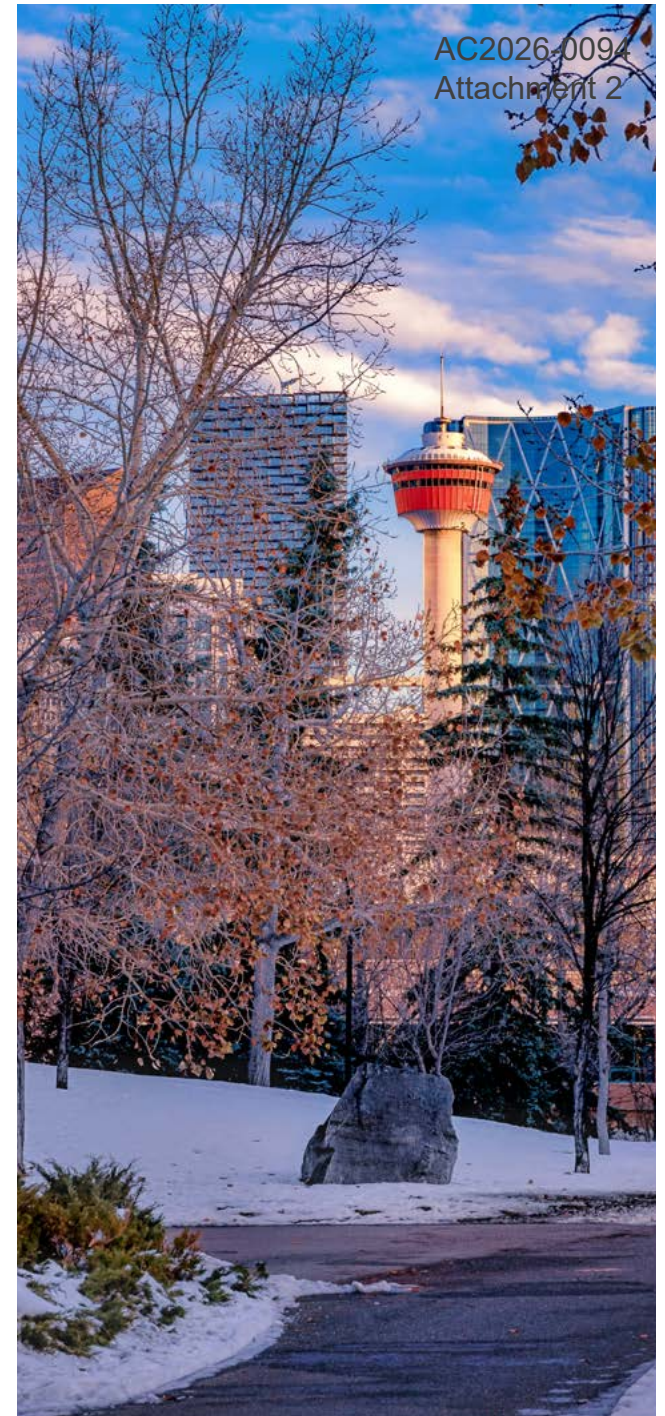
Since 2014, The City has generated \$2,093 million in income available for allocation. Income available for allocation is total corporate investment income earned, less expenditures (net of receivables).

### Investment income – historical

(\$ millions)



<sup>1</sup> The City earned Investment Income prior to January 1, 2014, but it is not included in this chart.



# Asset class review



# Short Term Liquidity

## Investment objective

To generate investment income while preserving capital and providing liquidity for the cash flow requirements of The City.

### Performance

For the year ended December 31, 2025  
(per cent net of fees)

	Annualized Returns <sup>(1)</sup>			ITD
	1 Year	3 Years	5 Years	
<b>Short Term Liquidity</b>	<b>4.33</b>	<b>5.15</b>	<b>3.75</b>	<b>2.46</b>
Benchmark	2.84	4.15	2.88	1.73
<b>Value Added</b>	<b>1.49</b>	<b>1.00</b>	<b>0.87</b>	<b>0.73</b>

Benchmark: FTSE Canada 91 Day Treasury Bill Index

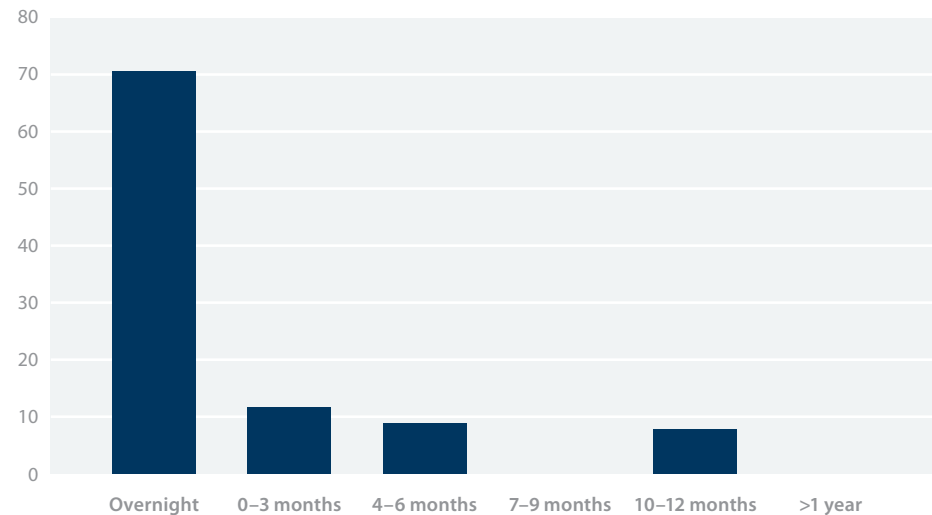
### Assets under management

As at December 31, 2025  
(\$ millions)

<b>Money Market</b>	<b>126.3</b>
High Interest Savings Accounts	514.6
<b>Closing Net Asset Value<sup>(2)</sup></b>	<b>640.9</b>

### Portfolio maturities

As at December 31, 2025  
(per cent of portfolio)



<sup>1</sup> Returns are Term Deposits, Money Market Instruments and Near-Maturity Bonds only. The estimated return, including returns from HISAs, for 2025 is 3.80 per cent.

<sup>2</sup> Total includes amounts funded by short-term commercial paper borrowings.

# Short Term Liquidity (continued)

## Positioning

In 2025, the Short Term Liquidity Portfolio primarily invested in High Interest Savings Accounts (HISAs), which comprised approximately 80 per cent of the portfolio. The remainder was invested in Guaranteed Investment Certificates (GICs) of terms up to 1 year and in a portfolio of money market securities. While the Portfolio can invest in short-term securities such as T-bills, bank deposit notes, commercial paper and short-term corporate and government bonds, market conditions made it more attractive to hold cash. This was due to competitive savings rates available to The City and expected interest rate cuts by the BoC.

In 2025, the BoC continued lowering interest rates. The curve steepened as short-term rates fell, while longer-term rates remained higher.

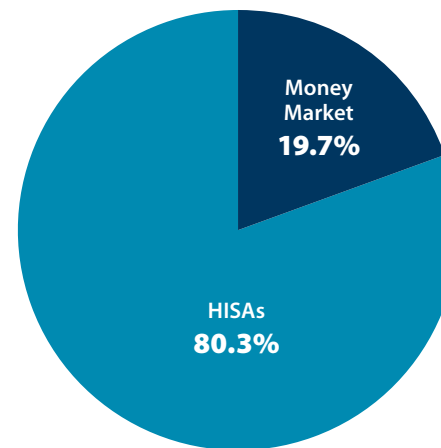
## Investment highlights

The Short Term Liquidity Portfolio returned 4.33 per cent in 2025, 149 bps above the benchmark. The cost of borrowing through commercial paper is less than the investment return The City earns on its HISAs. This is mainly a result of The City's strong credit profile combined with the closure of the Canadian Banker's Acceptance market in Q2 2024, which led to increased demand for commercial paper.

In 2025, the Short Term Liquidity Program also introduced an externally managed U.S.-dollar sleeve to efficiently manage temporary USD balances that arise from City investments before they are reinvested. This allows The City to earn a market-based return on short-term USD cash holdings while avoiding unnecessary foreign-exchange conversions and transaction costs.

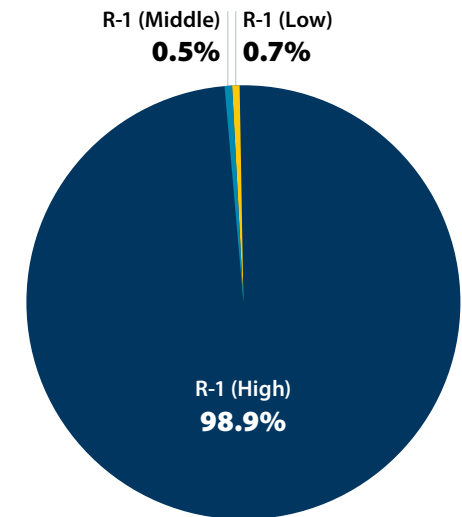
## Asset type

As at December 31, 2025  
(per cent)



## Credit quality<sup>(1)</sup>

As at December 31, 2025  
(per cent)



## Forward looking strategy

The Short Term Liquidity Portfolio will continue to maintain a bias to be heavily weighted in cash and near cash equivalents given the competitive savings rates. Further interest rate cuts by the BoC could change this. Market conditions will be watched closely so The City can lock in fixed rates through GICs when they are more attractive than HISA rates.

<sup>1</sup> Credit ratings for short-term investments are provided by DBRS Morningstar.

# Short Term Fixed Income

AC2026-0094  
Attachment 2

## Investment objective and philosophy

To provide exposure to short-term Canadian fixed income securities and commercial mortgages, with an emphasis on capital preservation, income generation and attaining net returns that meet or exceed the Portfolio benchmark. Five out of the six mandates within the Short Term Fixed Income Portfolio are externally managed.

The City believes active management can add value by adjusting interest rate exposure, carefully allocating across sectors and credit quality, and selecting high-quality securities. The portfolio also seeks to earn additional return from commercial mortgages, while maintaining liquidity through short-term fixed income investments. Overall, the portfolio is invested almost entirely in investment-grade assets.

## Performance

For the year ended December 31, 2025  
(per cent net of fees)

	Annualized Returns			
	1 Year	3 Years	5 Years	ITD
Short Term Fixed Income	4.23	5.25	2.32	2.62
Benchmark	3.88	4.86	1.85	2.22
Value Added	0.35	0.39	0.47	0.40

Benchmark: FTSE Canada Short Term Bond Index

## Composition

As at December 31, 2025

Mandate	AUM (\$ millions)	Yield (per cent)	Duration (years)
Public Fixed Income	1,355.3	3.07%	2.7
Mortgages	691.7	4.15%	2.8
Short Term Fixed Income	2,047.0	3.43%	2.8

## Assets under management

(\$ millions)

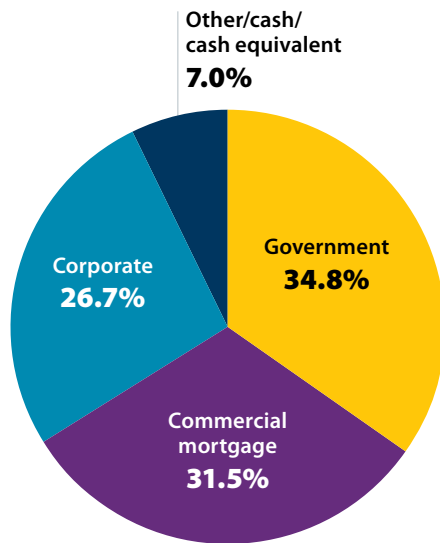
Opening Net Asset Value January 1, 2025	1,994.3
Cash Flows	(30.5)
Portfolio Gains & Losses <sup>(1)</sup>	83.2
Closing Net Asset Value December 31, 2025	2,047.0

<sup>1</sup> Includes realized/unrealized capital gains and losses, dividends and interest income

# Short Term Fixed Income (continued)

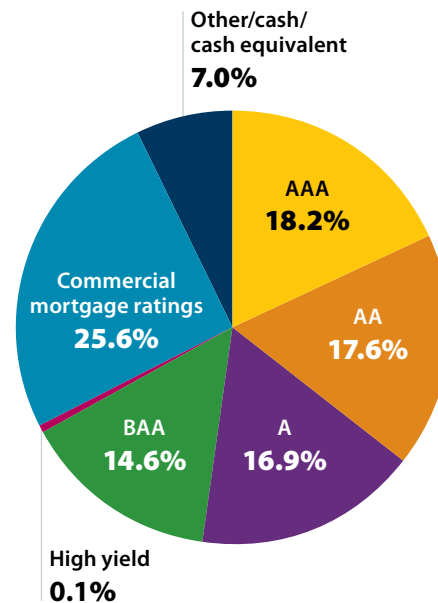
## Asset type

As at December 31, 2025  
(per cent)



## Credit quality

As at December 31, 2025  
(per cent)



## Public fixed income

In 2025, short-term Canadian fixed income markets were shaped by shifting monetary policy, elevated government borrowing and ongoing uncertainty surrounding North American trade discussions. The BoC reduced its policy rate to 2.25 per cent by October, a total reduction of 100 basis points for the year, to support a softening economy. The central bank then maintained a cautious hold through year-end as resilient domestic growth and a slight uptick in year-end inflation to 2.4 per cent moderated expectations for further easing. Short-term Government of Canada yields rose over the fourth quarter—most notably in the two- to five-year segment—as markets priced in the potential for rates to remain steady well into 2026.

Provincial and corporate credit performed well throughout 2025. Steady investor demand and stabilizing economic fundamentals allowed short-term corporate spreads to tighten, even as issuance reached significant levels. Sectors with stable cash flows, including energy infrastructure and high-quality financial issuers, continued to offer the most attractive opportunities. Mortgage-backed securities also contributed positively as yield carry remained compelling relative to government bonds.

Across The City's short-term fixed income strategies, credit exposure and security selection were key drivers of performance. External managers maintained an overweight to high-quality corporate bonds while positioning duration slightly shorter than benchmark levels to help buffer portfolios against upward pressure on yields.

Overall, The City's externally-managed short-term bond mandates narrowly outperformed their benchmark in 2025, but were supported by strong income generation and disciplined credit selection. As The City enters 2026, investment managers remain focused on maintaining high credit quality and liquidity to navigate a period characterized by heightened policy uncertainty and ongoing trade-related risks.

## Mortgages

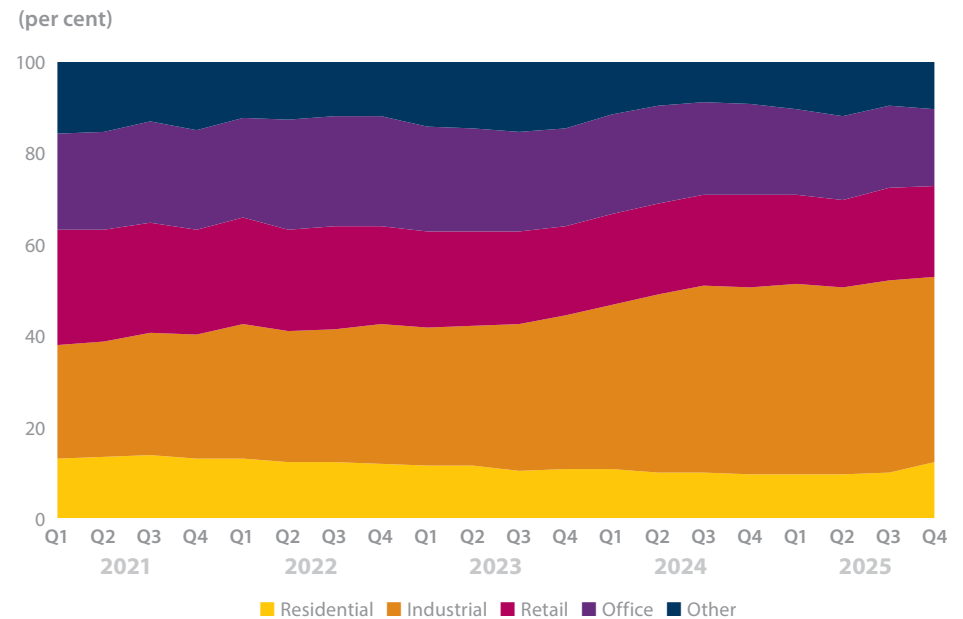
In 2025, the Canadian commercial mortgage market showed signs of stability. Interest rate expectations became more steady, borrowing costs declined and activity improved in select real estate sectors. Government of Canada yields increased through the year—5-year and 10-year yields ending 2025 at 2.97 per cent and 3.43 per cent. Commercial mortgage spreads tightened to their lowest levels in nearly two decades, driven by strong lender competition and renewed acquisition financing activity. Spreads remained broadly flat into year-end, but the modest compression reflected a more positive market environment, supported by clearer monetary policy signals from the Bank of Canada and an improving economic backdrop.

Across property types, fundamentals were mixed. Industrial markets remained active but showed pockets of softening, especially where new supply outpaced vacancy. Multifamily experienced rising vacancy—up to 3.1 per cent nationally—due to new construction and slower population growth, though long-term demand fundamentals remain intact. Institutional lenders also re-engaged in the office sector, particularly high-quality Class A assets benefiting from strengthening return-to-office trends and stabilizing leasing activity. Meanwhile, community-oriented retail continued to demonstrate resilience, with investors increasingly rotating into convenience-anchored shopping centres supported by stable tenant demand.

In this environment, The City’s Canadian Commercial Mortgage investment managers delivered an absolute net return of 4.94 per cent in 2025, outperforming the benchmark by 106 bps and surpassing traditional short-term fixed income returns over the one-, three- and five-year periods.

Portfolio positioning across managers emphasized strong borrower covenants, selective underwriting and opportunities in floating-rate or shorter-term structures to capture elevated coupons. Looking ahead to 2026, investment managers are focusing on high-quality apartment buildings, retail properties, select office opportunities and longer-term sustainable investments as interest rates stabilize and deal activity returns to more normal levels.

## Commercial mortgage sector allocation



## Forward looking strategy

The City’s Short Term Fixed Income Portfolio will remain a stable source of yield and liquidity. The City is evaluating its overall asset allocation to identify potential opportunities for enhancing the yield of the Consolidated Investment Portfolio. This may lead to some rebalancing from the Short Term Fixed Income Portfolio to other asset classes.

## Investment objective and philosophy

To provide exposure to longer-term Canadian and Global public fixed income securities. To support the preservation of capital, the Portfolio will be largely composed of investment-grade holdings.

The City believes active management can enhance portfolio value by adjusting duration, strategically over- and underweighting sectors and credit ratings and selecting securities with strong potential. Given the expected term structure of interest rates, it is anticipated to generate a higher yield than the Short Term Fixed Income Portfolio. Additionally, select global fixed income investments may offer higher yields than Canadian counterparts and this Portfolio aims to capture that advantage.

### Performance

For the year ended December 31, 2025

(per cent net of fees)

	Annualized Returns			
	1 Year	3 Years	5 Years	ITD
<b>Public Fixed Income (Canada)</b>	<b>2.89</b>	<b>4.75</b>	<b>(0.08)</b>	<b>2.59</b>
Benchmark	2.64	4.51	(0.35)	2.27
<b>Value Added</b>	<b>0.25</b>	<b>0.24</b>	<b>0.27</b>	<b>0.32</b>

Benchmark: FTSE Canada Universe Bond Index

	Annualized Returns			
	1 Year	3 Years	5 Years	ITD
<b>Public Fixed Income (Global)</b>	<b>5.00</b>	<b>6.39</b>	<b>1.99</b>	<b>3.98</b>
Benchmark	3.09	4.70	0.00	2.36
<b>Value Added</b>	<b>1.91</b>	<b>1.69</b>	<b>1.99</b>	<b>1.62</b>

Benchmark: Bloomberg Global Aggregate Index

### Composition

As at December 31, 2025

Mandate	AUM (\$ millions)	Yield (per cent)	Duration (years)
Public Fixed Income (Canada)	1,161.2	3.80%	6.8
Public Fixed Income (Global)	1,032.6	4.61%	4.4
<b>Public Fixed Income</b>	<b>2,193.8</b>	<b>4.18%</b>	<b>5.7</b>

### Assets under management

(\$ millions)

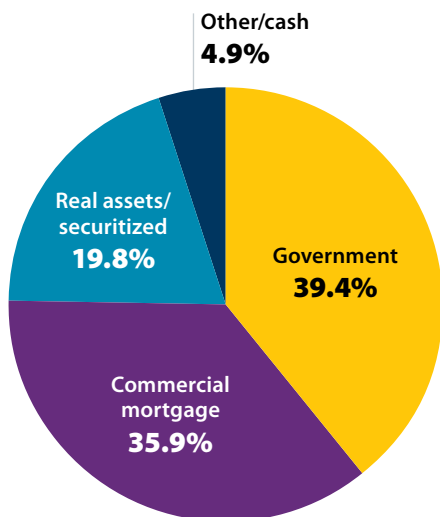
<b>Opening Net Asset Value January 1, 2025</b>	<b>2,134.0</b>
Cash Flows	(27.2)
Portfolio Gains & Losses <sup>(1)</sup>	87.0
<b>Closing Net Asset Value December 31, 2025</b>	<b>2,193.8</b>

<sup>1</sup> Includes realized/unrealized capital gains and losses, dividends and interest income

# Public Fixed Income (continued)

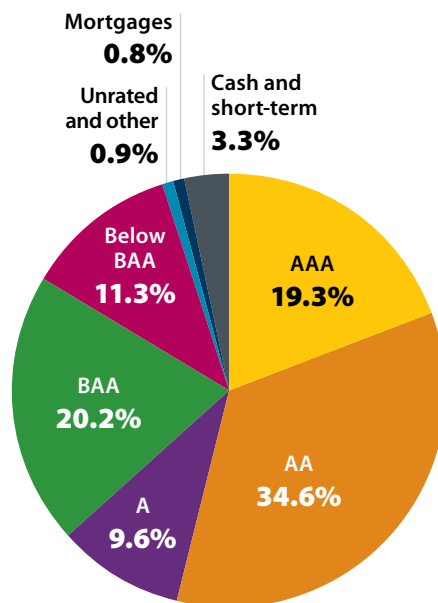
## Sector allocation

As at December 31, 2025  
(per cent)



## Credit rating

As at December 31, 2025  
(per cent)



## Public Fixed Income (Canada)

Canadian fixed-income investments had modest gains in 2025 as interest rates came down and inflation pressures evolved, which changed bond yields across short- and long-term maturities. The Bank of Canada lowered its overnight rate by a cumulative 100 basis points, ending the year at 2.25 per cent, as inflation moved closer to target and economic momentum stabilized. Short-term interest rates fell following rate cuts, while longer-term rates stayed higher. This reflected ongoing government spending pressures, increased borrowing and investors wanting higher returns for long-term investments. Together, these trends led to a steeper yield curve and were a key feature of fixed income performance in 2025.

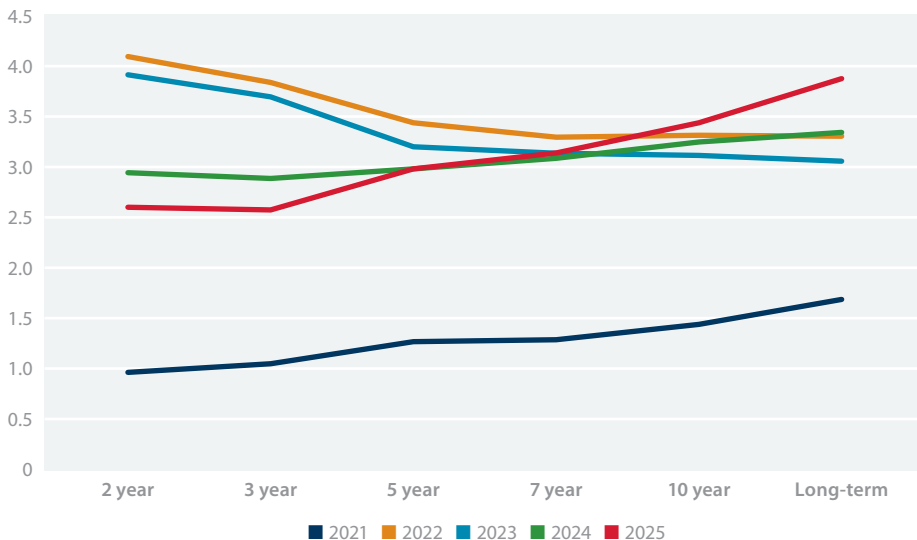
Credit markets remained strong throughout the year. Companies were generally in good financial shape, supported by solid earnings and manageable debt. Even with high levels of new bond issuance, demand remained strong, keeping borrowing costs low across most credit quality levels. Provincial bonds also performed well, anchored by steady domestic demand and manageable funding schedules.

Within the FTSE Canada Universe Bond Index, short- and mid-term credit performed better than federal bonds, as rising long-term government interest rates weighed on returns. Active managers generally reduced exposure to federal bonds and increased investments in corporate and provincial issuers, focusing on high quality and liquidity. While approaches to interest-rate exposure varied, some managers benefited by limiting exposure to longer-term government bonds.

As 2026 begins, yields across the curve remain attractive relative to much of the past decade, but limited compensation for taking credit risk, combined with shifting economic conditions, supports a measured and risk-aware approach within Canadian public fixed income.

## Bank of Canada bond yields

(per cent)



Source: Bank of Canada

## Public Fixed Income (Global)

In 2025, global bond markets navigated a complex environment as central banks around the world began to take different paths. While the U.S. Fed moved toward lower interest rates to support a softening economy, other major central banks, such as the Bank of Japan, raised rates for the first time in years. These differing policies, combined with high levels of government borrowing, led to increased market fluctuations and shifting yield curves throughout the year.

Corporate bonds remained a bright spot, showing resilience despite a record value of new debt being issued globally. Strong investor demand for incremental income, combined with steady corporate earnings, kept the extra yield paid by corporations over governments near historic lows. This environment allowed investment-grade and high-yield bonds to perform well, providing steady returns primarily through interest payments. Other specialized sectors, such as mortgage-backed and consumer-loan securities, also contributed positively as market volatility began to settle later in the year.

Government bonds had more mixed results in 2025. Developed-market bonds faced pressure from rising public debt and concerns over long-term fiscal health. In contrast, certain emerging markets performed better as their inflation rates fell, allowing their central banks to lower rates and boost bond prices.

Across The City's global fixed income strategies, the decision to favour corporate credit over government debt continued to be a primary driver of performance. Investment managers focused on high-quality companies and securitized assets that offered more attractive yields than traditional government bonds. Security selection was particularly effective in stable sectors with reliable cash flows, such as financials and essential infrastructure.

Active management of interest-rate sensitivity and currency exposure also helped protect returns amid shifting market conditions.

## Forward looking strategy

The City will continue to pursue fixed income opportunities that enhance diversification and strengthen risk-adjusted returns across the broader consolidated investment portfolio. Looking toward 2026, the strategy remains focused on preserving capital and maintaining high liquidity, ensuring the portfolio can withstand market volatility while supporting The City's long-term financial stability.

## Investment objective and philosophy

To provide exposure to private credit investments, with an emphasis on capital preservation, income generation and providing net returns that meet or exceed the Private Credit benchmark.

The City believes that private credit investments offer a premium for their unique structure, complexity and illiquidity. Private credit may offer lower correlation of returns to other asset classes, has shown lower volatility versus traditional fixed income and offers stable current income.

### Performance

For the year ended December 31, 2025  
(per cent net of fees)

	Annualized Returns			ITD
	1 Year	3 Years	5 Years	
Private Credit	5.92	8.28	5.40	5.84
Benchmark	6.45	9.95	4.97	5.63
Value Added	(0.53)	(1.67)	0.43	0.21

Benchmark: A blended benchmark using mandate-weighted sub-benchmarks (see Appendix 1 – Private Credit)

### Composition

As at December 31, 2025

Mandate	AUM (\$ millions)	Yield (per cent)	Duration (years)
Private Credit	544.4	8.07%	1.1

### Assets under management

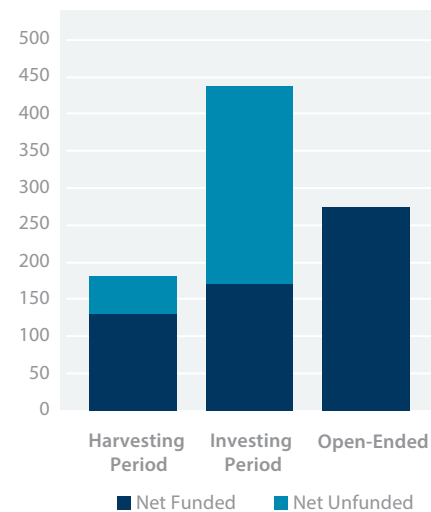
(\$ millions)

Opening Net Asset Value January 1, 2025	412.4
Cash Flows	103.0
Portfolio Gains & Losses <sup>(1)</sup>	29.0
Closing Net Asset Value December 31, 2025	544.4

<sup>1</sup> Includes realized/unrealized capital gains and losses, dividends and interest income

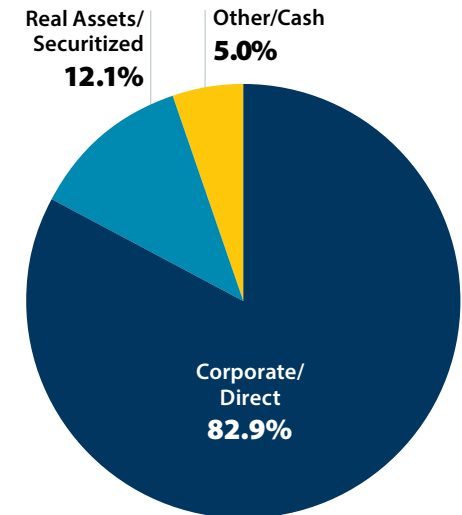
### Committed capital – Private Credit

As at December 31, 2025  
(\$ millions)



### Sector allocation

As at December 31, 2025  
(per cent)



## Market

Private credit is an asset class that has experienced significant growth since the global financial crisis of 2008–2009 (GFC). The GFC resulted in regulatory changes that have made traditional bank lending more restrictive and created opportunities for non-bank lenders to provide long term financing that aligns well with the investment horizon of institutional investors.

As the asset class has expanded, it has also attracted increased attention from retail investors, the public and the media. Recent market stress in certain retail-oriented vehicles, such as Business Development Companies (BDCs), has raised concerns about credit quality, valuation transparency, and liquidity under adverse market conditions. It is important to note that the City does not invest in BDCs or similar retail oriented private credit vehicles. The City’s private credit exposure is limited to institutionally focused strategies that use longer-term capital, face lower liquidity risk from investor redemptions and lend to borrowers with more conservative leverage profiles. As a result, these strategies have not experienced the same challenges.

Separately, a small number of high profile borrower bankruptcies have been widely reported. These cases were specific to individual companies and managers and do not, in isolation, indicate broad based weakness across private credit markets. The City was not exposed to these bankruptcies.

As private credit continues to grow, differences in manager skill and underwriting discipline are becoming more pronounced. This dispersion in outcomes reinforces the importance of thorough due diligence, conservative portfolio construction, and ongoing monitoring. For investors that remain disciplined and focused on long-term objectives, private credit continues to offer attractive risk-adjusted return potential and income diversification benefits.

## Portfolio updates

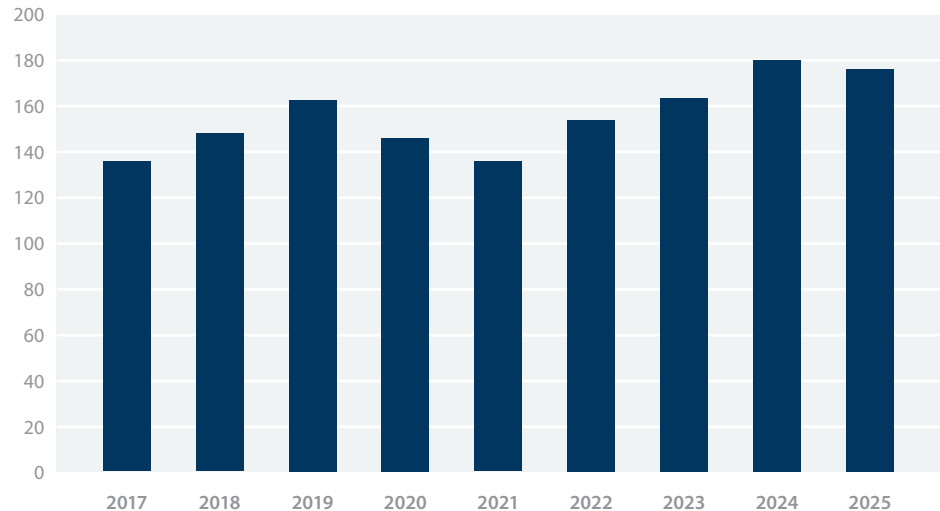
In the first quarter of 2025, The City elected to fully redeem its investment in an investment grade evergreen private credit fund. The investment grade strategy had performed as intended and the decision to make the redemption was based on other credit investments held across the broader Consolidated Investment Portfolio. The redeemed capital was redeployed into two diversified credit strategies, each with a higher return target. The intention with this redeployment was to generate an improved risk-adjusted return, as well as increased income, for the Consolidated Investment Portfolio.

An additional allocation was made in the first quarter to a senior secured direct lending fund making loans to private equity sponsored companies in the United States.

The City’s Private Credit portfolio has outperformed the Public Fixed Income portfolios over the last one-, three- and five-year periods.

## Global private credit capital raised

(\$ billions)



Source: Preqin, a part of BlackRock

## Forward looking strategy

The City will continue expanding its allocations to private credit markets by fulfilling existing commitments and pursuing new investments to enhance diversification within its holdings.

## Investment objective and philosophy

Investment in a diversified portfolio of global equity securities to achieve long-term capital appreciation, to earn dividend income, mitigate the effects of inflation and to provide a net return that meets or exceeds the equity benchmark over a market cycle.

### Performance

For the year ended December 31, 2025  
(per cent net of fees)

	Annualized Returns			
	1 Year	3 Years	5 Years	ITD
<b>Equities</b>	<b>17.94</b>	<b>20.66</b>	<b>10.56</b>	<b>9.88</b>
Benchmark	16.60	21.12	12.83	11.29
<b>Value Added</b>	<b>1.34</b>	<b>(0.46)</b>	<b>(2.27)</b>	<b>(1.41)</b>

Benchmark: MSCI All Country World Index

### Composition

As at December 31, 2025

Mandate <sup>(1)</sup>	AUM (\$ millions)	Dividend Yield (per cent)
<b>Equities</b>	<b>1,000.0</b>	<b>1.65%</b>

### Assets under management

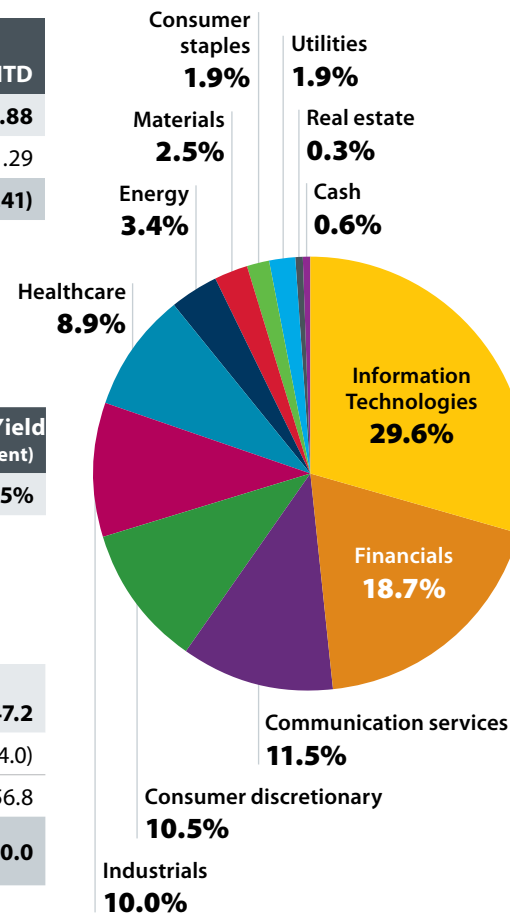
(\$ millions)

<b>Opening Net Asset Value</b> January 1, 2025	<b>947.2</b>
Cash Flows	(104.0)
Portfolio Gains & Losses <sup>(1)</sup>	156.8
<b>Closing Net Asset Value</b> December 31, 2025	<b>1,000.0</b>

<sup>1</sup> Includes realized/unrealized capital gains and losses, dividends and interest income

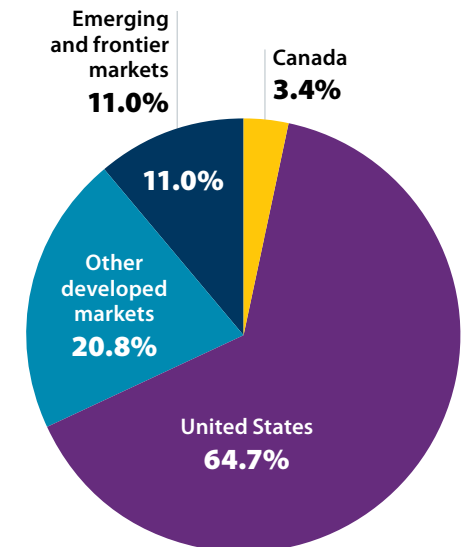
### Sector allocation

As at December 31, 2025  
(per cent)



### Geographic allocation

As at December 31, 2025  
(per cent)



## Market updates

In 2025, global stock markets held up well, even as performance varied by region. Despite adjustments to shifting trade policies and changing interest-rate expectations, the year marked a broader expansion of growth, one that reached beyond a handful of major companies and extended across industries and geographies.

### A changing global market environment

For much of the past decade, global equity performance was driven largely by a small group of U.S. technology giants. In 2025, market leadership began to shift. As economic conditions in the U.S. became more supportive, investors started to seek value in international markets. European and Japanese equities performed particularly well. Several countries in South America and Asia also gained momentum as inflation continued to ease. With price pressures cooling, local central banks were able to adopt more accommodative policies, creating an appealing backdrop for growth and drawing renewed investor interest.

### The next phase of the AI investment story

Technology remained an important theme, but the narrative evolved. In contrast to previous years where almost any company associated with artificial intelligence attracted investor enthusiasm, 2025 saw a more discerning market. Companies involved in providing the core hardware for AI continued to grow, but new leaders emerged from industries where AI is being put to practical use, such as healthcare, logistics and professional services. This helped narrow the performance gap between the largest technology firms and the broader market, creating a more balanced and sustainable environment for investors.

### Sector trends and investment positioning

In 2025, investors shifted toward sectors outside traditional growth areas. Capital flowed into companies providing essential services and those with business models capable of delivering consistent earnings through economic cycles. Financials and industrials were among the main beneficiaries of renewed global attention on infrastructure investment. A more stable interest-rate environment supported these areas, enabling more effective capital planning and improving lending conditions. Across markets, investors favoured companies with strong balance sheets and reliable cash flow.

## Portfolio updates

The Equities Portfolio underwent a structural transition in mid-2025. Previously, the portfolio used a mix of active management and index replication strategies. After the transition, the portfolio now consists of four actively managed mandates. All four managers are measured against the same global benchmark: the MSCI All Country World Index.

During the year, the Equities Portfolio had net outflows of \$104 million as The City rebalanced capital to support allocations elsewhere in the Consolidated Investment Portfolio. This rebalancing reflected portfolio construction and liquidity management rather than a change in the long-term equity strategy.

In 2025, the equity portfolio outperformed its respective benchmark for the first time since 2018, supported by stronger alignment between external manager mandates and The City's MSCI All Country World Index benchmark. With the portfolio now fully actively managed, managers have greater flexibility to adjust positioning as market conditions evolve.

## Forward looking strategy

The investment team will continue to monitor global markets and portfolio performance to ensure the portfolio remains aligned with long-term goals. Ongoing evaluation of macroeconomic trends, manager results and benchmark-relative outcomes will guide any tactical adjustments. The team remains committed to maintaining a disciplined, data-driven approach to asset allocation.

## Investment objective and philosophy

Investment in infrastructure and real estate assets to help mitigate the effects of inflation and provide diversification in risk-seeking assets.

Real asset investments will be well-diversified by asset type, geography, revenue source, sector and risk profile, ensuring a balanced approach that spreads exposure and maximizes resilience across different market and economic conditions.

### Performance

For the year ended December 31, 2025  
(per cent net of fees)

	Annualized Returns			ITD
	1 Year	3 Years	5 Years	
Real Assets	(0.58)	6.75	8.49	8.06
Benchmark	6.54	5.85	7.18	6.89
Value Added	(7.12)	0.90	1.31	1.17

Benchmark: A blended benchmark using mandate-weighted sub-benchmarks (see Appendix 1 – Real Assets)

### Composition

As at December 31, 2025

Mandate	AUM (\$ millions)	Net Yield (per cent)
Real Assets	858.7	6.21%

### Assets under management

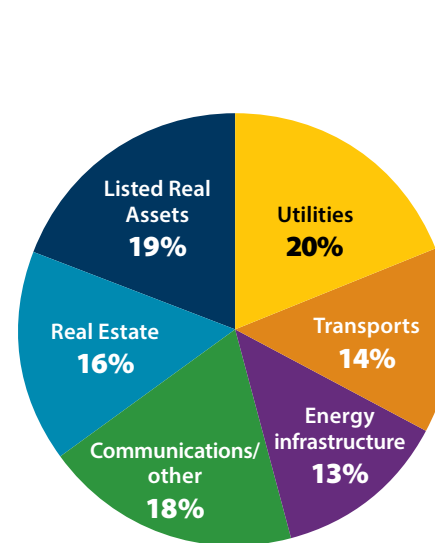
(\$ millions)

Opening Net Asset Value January 1, 2025	825.6
Cash Flows	38.0
Portfolio Gains & Losses <sup>(1)</sup>	(4.9)
Closing Net Asset Value December 31, 2025	858.7

<sup>1</sup> Includes realized/unrealized capital gains and losses, dividends and interest income

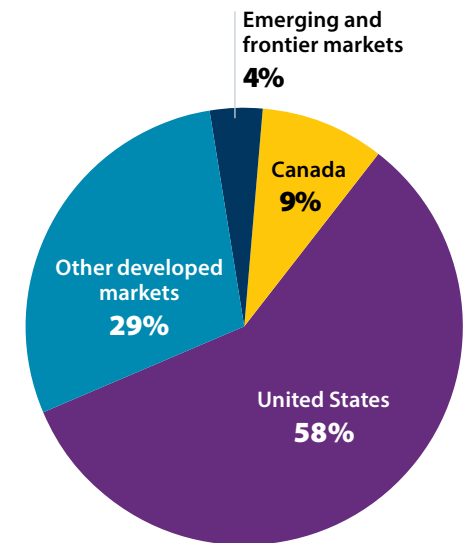
### Sector allocation

As at December 31, 2025  
(\$ millions)



### Geographic allocation

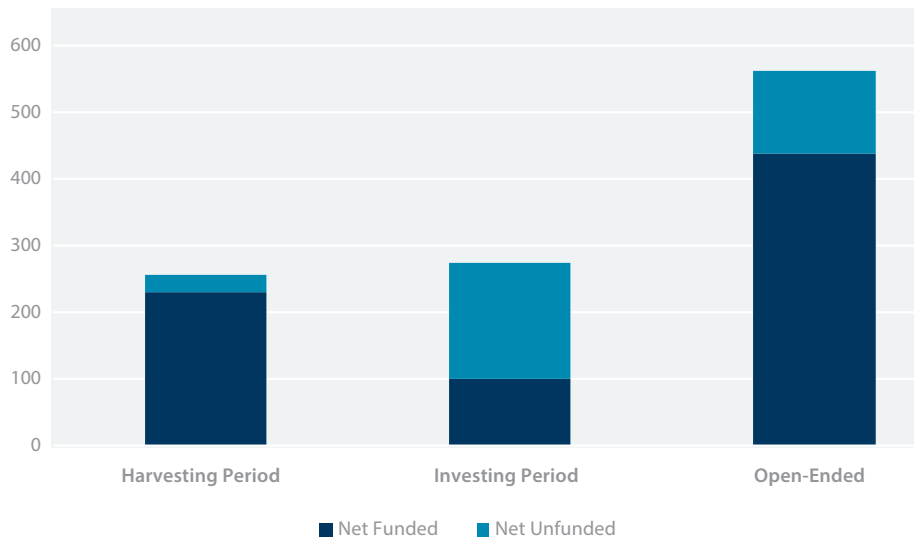
As at December 31, 2025  
(per cent)



# Real Assets (continued)

## Committed capital

As at December 31, 2025  
(\$ millions)

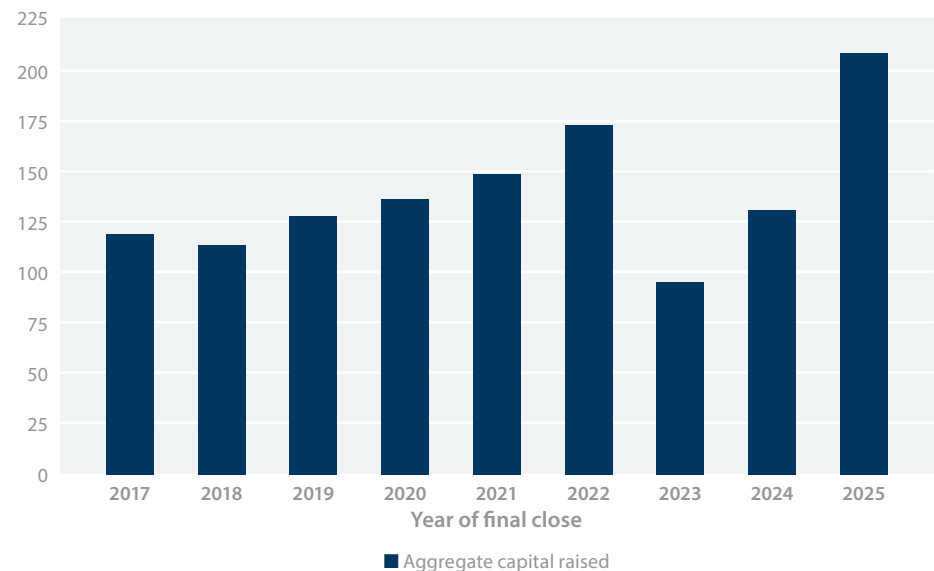


While overall deal volume remained subdued due to lingering interest rate caution, transaction values remained strong due to capital deployment in two critical sectors: digital infrastructure and energy transition. The rapid expansion of artificial intelligence drove unprecedented demand for data centers and the power generation required to support them, effectively linking the digital and energy sectors as primary drivers of new market activity.

Overall, the asset class continued to provide the stability investors expect, delivering steady cash yields and acting as an effective inflation hedge, while outperforming private equity in recent quarters. Heading into the new year, the market retains significant levels of unspent capital, positioning managers to capitalize on these secular tailwinds.

## Global private infrastructure capital raised

(\$ billions USD)



Source: Preqin, a part of BlackRock

## Infrastructure

The City's private infrastructure portfolio was challenged in 2025, largely due to its investments dedicated to energy transition, which have experienced a decline in valuations over the past five quarters. These specific performance factors are discussed in detail in the Portfolio Updates section below.

More broadly, however, the global private infrastructure market demonstrated remarkable resilience in 2025, characterized by a strong rebound in fundraising and a strategic pivot toward high-growth themes. After a quieter period in previous years, global fundraising surged to record levels, largely driven by a handful of North American mega-funds that dominated the landscape. Investors increasingly shifted their focus toward core-plus and value-add strategies, moving slightly up the risk curve to capture higher yields from transformative global trends.

## Real estate

The City's real estate portfolio remains in its early stages having funded its first commitment in the third quarter of 2024. The intention of this investment was to provide The City with a core-plus risk profile to capture global real estate exposure while providing a solid and stable level of income.

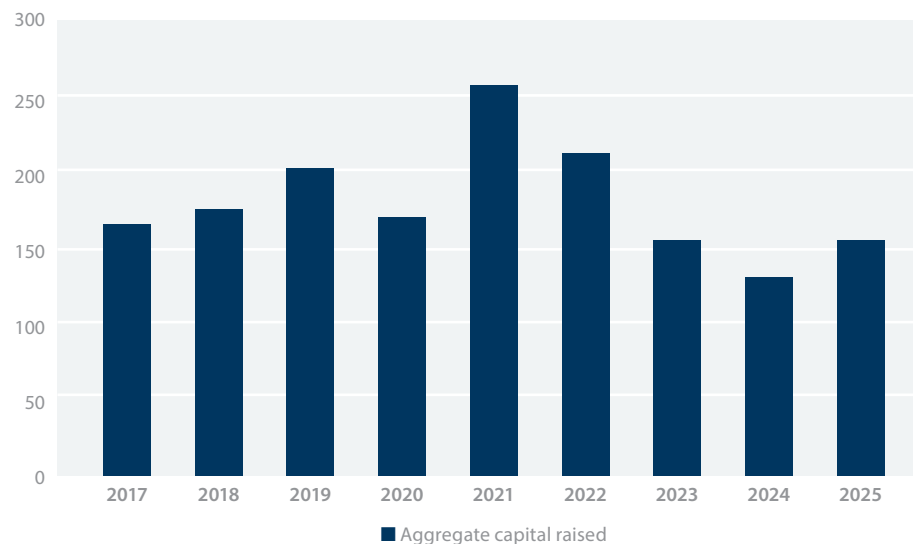
Beyond The City's real estate portfolio, the global private real estate market began to improve in 2025. After a long period of uncertainty and limited activity, buying and selling in major markets—particularly in North America—started to stabilize as buyers and sellers reached more agreement on pricing. The recovery has not been uniform, however. Investment activity has focused heavily on areas with strong long-term demand, such as industrial logistics, data centres and modern rental housing, while traditional office properties continue to face weaker demand, limited liquidity and lower valuations.

From a strategy perspective, 2025 marked a renewed focus on acquiring high-quality assets following the market correction. As valuations reset, managers with available capital began to target higher-quality assets that had become over-leveraged or mispriced during the downturn, looking to acquire them at attractive entry points. This flight to quality remained a dominant theme, with investors prioritizing prime assets in top-tier locations over lower-tier markets.

Toward the end of 2025, the market benefited from improved sentiment following the cuts to interest rates. With capitalization rates stabilizing and significant levels of unspent capital available, the asset class enters the new year well-positioned for improved deal flow. Investors will remain highly selective, favouring high-quality assets and assets that offer operational resilience.

## Global private real estate capital raised

(\$ billions USD)



Source: Prequin, a part of BlackRock

# Real Assets (continued)

## Portfolio updates

Publicly reported results from some pension plans pointed to challenges affecting the BlackRock Global Renewable Power platform, to which The City has exposure. While this impacted overall Real Assets performance, other parts of the portfolio continued to perform well.

The City made a commitment with one of its existing infrastructure managers, Northleaf, early in 2025 for the fourth vintage of their flagship infrastructure fund. This marks the fourth investment made with Northleaf by The City and extends a relationship which dates to 2017. The City funded two capital calls in 2025 and expect to continue having capital called as new investments are made by the fund.

An additional commitment to a private infrastructure fund was made in the third quarter of 2025. This commitment was made with Franklin Templeton. This fund is intended to serve as a completion portfolio, offering The City infrastructure secondaries and co-investment opportunities that will seek to diversify The City's investment portfolio. This vehicle is an open-ended structure and made its first investment in the fourth quarter of 2025.

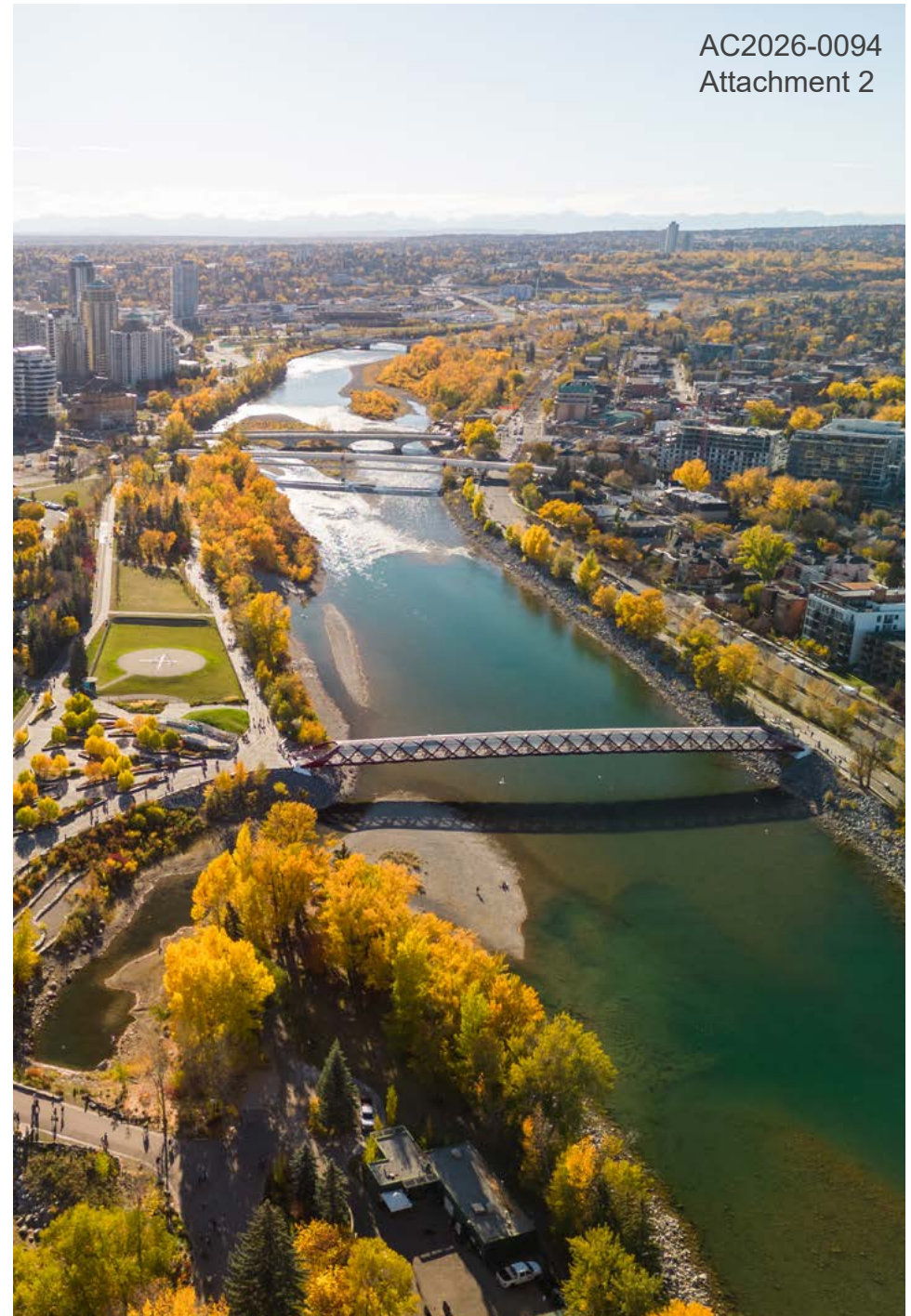
Toward the end of 2025, The City made its second commitment to a private real estate fund: this was to a closed-end real estate secondaries fund. A portion of the capital from this commitment was called in January 2026, with the remaining capital expected to be called throughout the remainder of 2026 and possibly into 2027 depending on the market environment. This fund is expected to provide diversification to both the Real Assets and Consolidated Investment Portfolios.

In addition, short-term movements in the Canadian dollar versus the U.S. dollar affected the Real Assets portfolio's CAD-denominated results in 2025, given the portfolio's U.S.-dollar exposure. Because the CPI-plus benchmarks used for most mandates do not reflect currency movements, this also contributed to a portion of the difference versus the benchmark during the year.

## Forward looking strategy

The City will continue to allocate to existing infrastructure mandates through existing commitments. The Real Assets Portfolio continues to mature, but The City's investment team will continue to develop its pipeline for future opportunities as they arise.

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# 2026 Economic and capital market outlook

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Attachment 2

The global economy enters 2026 in a stable but cautious state, as it transitions from the post-pandemic recovery to a lower-growth, more complex environment. According to the International Monetary Fund, global real GDP growth is projected to steady at 3.3 per cent for 2026. While inflation across most advanced economies has retreated toward central bank targets, the last mile of disinflation has proven uneven, leading to divergent monetary policy paths and increased currency volatility. Some key themes impacting capital markets into 2026 include:

## Heightened Middle East conflict risk and commodity market uncertainty

Escalating conflict in the Middle East has added a further layer of geopolitical uncertainty, with potential implications for commodity markets, global shipping, and regional security dynamics. While the ultimate economic and market impacts remain highly uncertain, the situation reinforces the importance of resilience to supply shocks, inflation volatility, and episodic increases in risk aversion across global markets.

## Geopolitical fragmentation and trade volatility

Geopolitical realignment is increasing a shift toward regionalized supply chains, reshaping trade flows and capital allocation. For Calgary, this has mixed effects. Construction and infrastructure costs may rise, but demand for secure North American energy exports could increase.

## Monetary policy divergence and 'higher for longer' real rates

Elevated real interest rates continue to reprice risk, reinforcing the importance of balance sheet quality and cash-flow durability. While the Bank of Canada and U.S. Federal Reserve have stabilized rates, the persistence of positive real yields provides a supportive environment for fixed income but demands a narrower margin for error in equity valuations.

## Energy evolution and capital discipline

Energy markets remain important as investment discipline in traditional hydrocarbons intersects with growing capital requirements for electrification and grid resilience. This evolution favours firms that prioritize dividend sustainability alongside strategic investments in decarbonization technology.

## Artificial intelligence and productivity

Technological adoption—especially in AI—is increasingly being put into practice. While this is helping improve global productivity overall, the benefits are not evenly shared, favouring AI-focused sectors over more traditional industries facing higher labour costs.

## Dispersion across private credit managers

As private credit markets face increased pressure, choosing the right managers matters more than ever. Results are being driven less by overall market trends and more by careful lending decisions and deep expertise in specific sectors.

Per cent change, YoY	2024 (Actual)	2025 (Estimate)	2026 (Projections)
<b>Gross Domestic Product (GDP)</b>			
Global	3.3	3.3	3.3
Euro Area	0.9	1.4	1.3
Emerging Economies	4.3	4.4	4.2
Canada	2.0	1.6	1.6
United States	2.8	2.1	2.4
China	5.0	5.0	4.5
<b>The Consumer Price Index (CPI)</b>			
Global	5.8	4.1	3.8
Canada <sup>(1)</sup>	2.4	2.0	2.1
Advanced Economies	2.6	2.5	2.2
Emerging Economies	7.9	5.2	4.8

<sup>1</sup> Bank of Canada. May vary from CPI used in benchmarking.

# Investment governance

The City manages its investments using a clear framework that ensures accountability, transparency and responsible use of public funds. This framework is set by Council-approved policy and supported by administrative policies that guide the day-to-day management of the investment program.

Council approves The City’s Investment & Governance Policy, which sets out the overarching governance structure, investment principles and delegation of authority for managing City investments. Council receives the Annual Investment Report through the Audit Committee and delegates authority to Administration to implement and administer the investment program in accordance with approved policies, legislation and risk tolerances.

Under this delegated authority, Administration maintains two supporting policies that operationalize the investment framework. The Funds Policy defines the objectives, risk tolerances, liquidity requirements and target asset mixes for each source of funds under management. The Investment Portfolios Policy establishes the parameters for constructing and managing the asset class portfolios in which City funds are invested, including investment objectives, benchmarks, risk limits and permitted instruments. Together, these policies provide clarity on both the purpose of invested funds and the manner in which capital markets exposure is implemented.

The Investment Advisory Committee (IAC) provides independent advice and oversight to the Chief Financial Officer on The City’s investment program. The committee reviews investment performance, policy compliance, asset mix decisions and investment strategies and offers recommendations. The committee also reviews and advises on the Investment & Governance Policy and related administrative policies. While the IAC plays an important oversight and advisory role, all investment decisions and policy approvals remain the responsibility of the Chief Financial Officer under authority delegated by Council in the Investment & Governance Policy.

In 2023, The City engaged an external consultant to conduct a comprehensive review of its investment governance framework. The results of this review were presented to the Investment Advisory Committee and the Audit Committee in 2024. As part of The City’s commitment to continuous improvement, selected enhancements to investment governance practices and supporting policies were implemented in 2025. Updates to the investment program and governance framework are reported to the Audit Committee as part of ongoing oversight by the investment team.

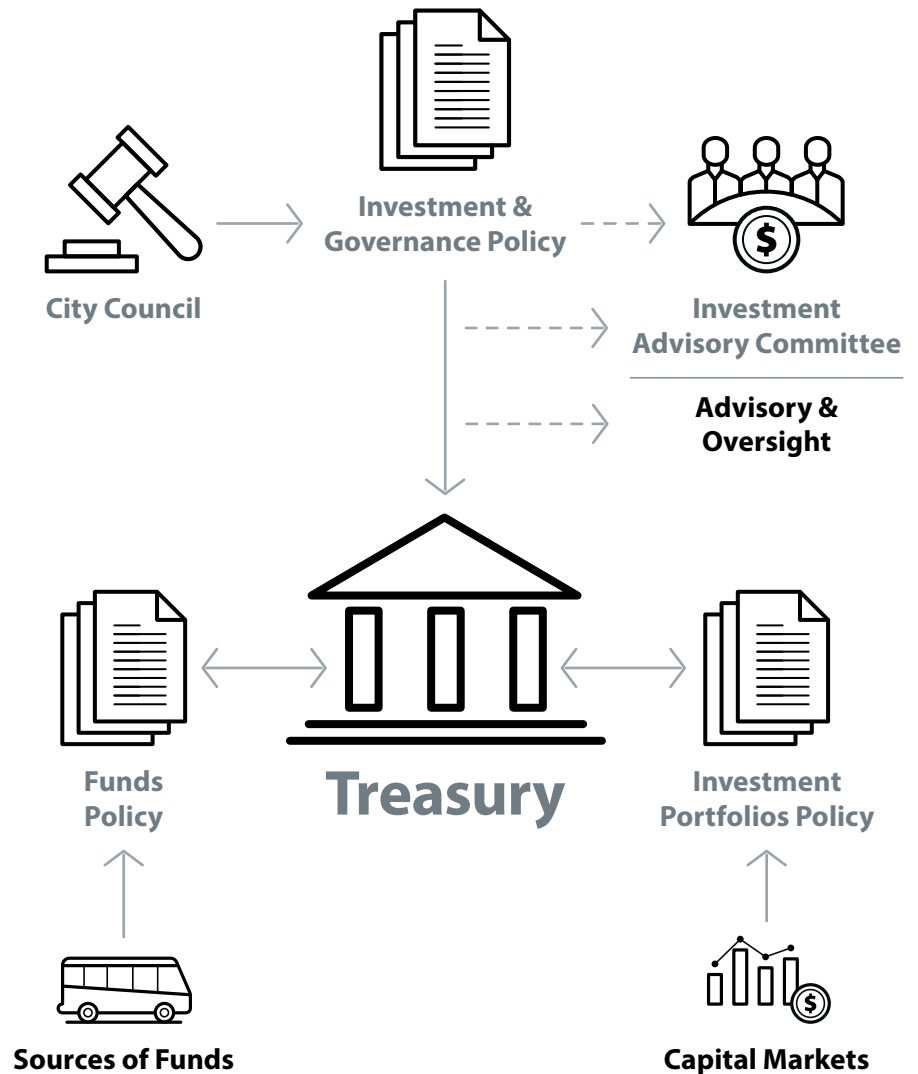


Figure 1 illustrates the investment governance framework, including the hierarchy of governing policies, the delegation of authority from Council to Administration and the advisory and oversight role of the Investment Advisory Committee.

## Risk management

Investment risk is managed through a combination of strong governance, clearly defined policies and disciplined implementation. The Investment & Governance Policy and supporting administrative policies establish investment objectives, risk tolerances, diversification requirements, eligible asset classes and instruments and portfolio constraints. These policies serve as the primary risk management tools for the investment program.

Risk is further mitigated through diversification across asset classes, investment strategies, issuers and investment managers. The total portfolio is constructed to balance risk and return characteristics across different market environments. The investment team applies rigorous due diligence when selecting external investment managers and continually monitors manager performance, portfolio construction and adherence to investment mandates.

The City recognizes that investing in capital markets involves inherent risks, including market, credit, liquidity, interest rate and foreign exchange risks. These risks are actively monitored using advanced risk metrics at both the manager and total portfolio level to ensure that risk exposures remain consistent with The City's risk tolerance and investment objectives.

All investments are held by an independent third party custodian, which provides safekeeping, trade settlement and independent reporting of holdings. The City also engages third party providers for performance measurement and verification. Investment manager reported returns are independently verified and assessed relative to market benchmarks and peers, supporting effective oversight and accountability for investment performance.

## Expense management

Investment management expenditures reflect the costs associated with operating and administering The City's investment program. These expenditures include structural costs related to governance and program operations—such as banking and treasury services, technology systems and internal staffing—as well as variable costs related to financing activities, transaction costs and external investment management fees.

Total investment management expenditures were approximately \$37.5 million in 2025, broadly consistent with the prior year. Year over year changes in specific expense categories largely reflect the lower interest costs on The City's commercial paper program as short-term market yields declined. The commercial paper program continues to generate incremental net investment income that more than offsets its expenses, contributing positively to overall financial results. Commercial paper savings were offset by an increase in management fees as The City moved into more complex investment categories that are expected to result in higher returns in a more challenged yield environment.

The City actively monitors and manages investment costs as part of its governance and oversight framework. Cost efficiency is assessed in the context of the size, complexity and asset mix of the investment program, as well as the value delivered through diversification, risk management and net investment returns.

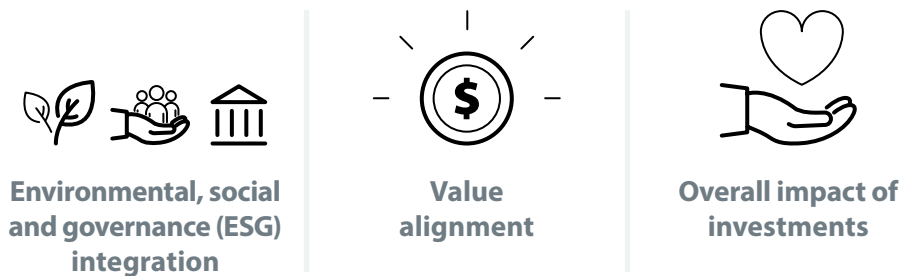
To support cost oversight and benchmarking, The City participates in the CEM Benchmarking survey, which compares investment management costs across institutional funds. In 2024, The City's externally managed investment costs were 40.7 basis points, 17.1 basis points lower than the Canadian median among surveyed funds. While The City's asset mix differs from that of many survey participants, this comparison provides a useful reference point for assessing relative cost efficiency and value for money. The 2025 CEM Benchmarking results are expected to be available in Q4 2026.



## Responsible Investing (RI) considerations

Responsible Investing (RI) has been referred to as sustainable investment and can potentially lead to better financial returns while having positive impacts both socially and environmentally.

### Three key pillars of RI include:



The City's investment team recognizes RI as an important aspect of ongoing manager due diligence. As part of this approach, the team will continue to assess how RI considerations are incorporated within asset allocation and manager selection processes. This may include evaluating managers' ESG practices, refining due diligence frameworks and exploring ways to enhance RI-related disclosures within existing investment policies.

## Environmental, Social and Governance (ESG) Considerations

Environmental, social and governance factors are key considerations in the investment process, influencing both financial value and long-term sustainability. These factors—environmental impact, social responsibility and corporate governance—help assess risks and opportunities within an investment.

Integrating good governance and sustainable business practices into investment decisions has become common practice in institutional investing. While studies have historically indicated a positive correlation between strong ESG ratings and stock

performance, the landscape is constantly evolving. As ESG considerations become more widespread, companies with weak governance may still face challenges in attracting long-term investors. However, market dynamics and regulatory shifts are leading some investors to take a more targeted approach, focusing on ESG factors that have clear financial materiality rather than broad sustainability objectives.

Good governance encompasses multiple dimensions, including compliance with environmental regulations, adherence to labour and safety standards and the presence of effective corporate board structures. A critical aspect of ESG and sustainable investing is engagement with company leadership. Institutional investors can influence corporate practices through active dialogue and proxy voting, using their shareholder rights to advocate for governance improvements and risk management strategies that support long-term value creation.

As part of its risk management and due diligence process, The City of Calgary incorporates ESG considerations when selecting and monitoring external investment managers. Beyond evaluating how ESG factors influence investment decisions, The City also assesses how managers integrate ESG principles into their own business operations. Many of The City's investment mandates involve fundamental analysis, where managers engage directly with companies to understand their governance structures and business practices. By partnering with investment managers who apply a pragmatic approach to ESG—focusing on material risks and opportunities—The City ensures its Consolidated Investment Portfolio reflects both RI principles and long-term financial objectives.

## Compliance

Compliance statements from investment managers are received quarterly, except for a few private funds which only provide compliance statements annually. Compliance statements are verified and maintained by Treasury. During the year, all investments complied with the *Municipal Government Act*, the Major Cities Investment Regulation and The City of Calgary's investment policies. See [Appendix 3](#) for current compliance status from investment managers.

# Definitions/glossary

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## Basis points

Basis points (bps) represent 1/100th of one per cent.

## Benchmark

A standard against which the performance of an investment manager can be measured. Generally, broad market stock and bond indexes are used for this purpose.

## Consolidated Investment Portfolio

All internally- and externally-managed financial investments held by The City.

## Corporate Investment Income

All interest, dividends and realized gains or losses on the Consolidated Investment Portfolio, gross of expenditures.

## Exchange-Traded Fund (ETF)

An ETF is a pooled investment vehicle that trades on stock exchanges like a stock, typically tracking an index, sector, commodity or asset class while offering liquidity, diversification and lower fees compared to mutual funds.

## Diversification

A risk-management technique that mixes a wide variety of investments within a portfolio. The rationale behind this technique contends that a portfolio of different kinds of investments will, on average, yield higher returns and result in lower price volatility than individual investments found within the portfolio.

Diversification strives to smooth risk events specific to a given issuer, sector or geography in a portfolio so that the positive performance of some investments will neutralize the negative performance of others. Therefore, the benefits of diversification will hold if the securities in the portfolio are not perfectly correlated.

## Duration

Measures the sensitivity of the full price of a bond (including accrued interest) to a change in interest rates.

## General Investment Income

Corporate Investment Income, net of expenditures, allocations to self-supporting business units and capital deposits and transfers to reserves and operations. This income becomes part of The City's corporate programs revenue.

## Harvesting Period

Follows the investing period and focuses on realizing value from investments through exits or liquidity events. This period continues until capital and profits are fully returned to investors.

## Income Available for Allocation

Corporate Investment Income, net of expenditures. This is the income that is available for municipal purposes during a year.

## Investment Managers

Those firms or individuals appointed by the Chief Financial Officer for the investment of each Fund's assets. Includes both internal and external managers.

## Investing Period

The timeframe during which the fund actively deploys capital into new investments. This phase typically occurs early in the fund's life and lasts for several years.

## Market Value

The price at which a security is trading in the open market.

## PRI

The Principles for Responsible Investment is an independent organization advocating on behalf of responsible investment. They seek to understand the investment implications of ESG factors and work to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

## Rate of Return

The gain or loss of an investment over a specified period, expressed as a percentage increase over the initial investment cost. Gains on investments include any income received from the security, plus realized and unrealized capital gains.

## Risk-Adjusted Return

A standardized measure of investment return based on an adjustment for the level of risk involved in generating that return.

# Appendix 1:

# Performance measurement benchmarks

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The investment performance of all funds is reported to the Investment Advisory Committee on a quarterly basis and presented annually to The City's Audit Committee. Investment benchmarks<sup>(1)</sup> are used for comparison purposes to assess the actual performance of The City's investment managers versus their respective performance benchmarks. Active investment managers are expected to generate higher returns (net of fees) than the benchmark measure over a business cycle. **Portfolio benchmarks are based on a proportionate blend of the benchmarks of the accounts included within each portfolio.**

## Short Term Fixed Income

### FTSE Canada

#### Short Term Bond Index

(Addenda, Connor, Clark & Lunn (CC&L), Phillips, Hager & North (PH&N), Internal Short Term Bonds, Sun Life)

## Public Fixed Income

### FTSE Canada

#### Universe Bond Index

(BlackRock, PH&N, CC&L, Internal Universe Bonds)

### Bloomberg

#### US Credit Index

(PIMCO)

### Bloomberg

#### Capital Multiverse Index Unhedged

(Manulife)

### Bloomberg

#### Global Aggregate Bond Index

(BlackRock)

## Private Credit

### Morningstar

#### U.S. Leveraged Loan Index + 200 bps

(Crestline, Brookfield, Jefferies Credit Partners, Apollo)

### Morningstar

#### European Leveraged Loan Index + 200 bps

(Bridgepoint)

#### 50 per cent ICE BoA US HY Constrained Index

50 per cent Morningstar LTSA US Leveraged Loan Index  
(Blackstone)

## Equity

### MSCI

#### All Country World Index

(Acadian, CC&L, BlackRock, JPMorgan)

## Real Assets

#### Canadian Consumer Price Index (CPI) + 400bps

(Northleaf, BlackRock, CBRE)

#### Blended FTSE Global Core Infrastructure

50/50 Index and FTSE EPRA NAREIT Developed Index  
(Brookfield)

<sup>1</sup> Please refer to [Appendix 2](#) for the benchmark-related disclaimers

# Appendix 2:

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# Appendix 3:

## Mandate-level responsible investing and compliance

Portfolio manager/mandate	In compliance	PRI signatory	PRI rating
<b>Short Term Fixed Income</b>			
<b>Short Term Universe Bonds</b>			
Phillips, Hager & North (PH&N)	Yes	✓	★★★★★
Connor, Clark & Lunn (CC&L)	Yes	✓	★★★★★
<b>Canadian Commercial Mortgages</b>			
Addenda	Yes	✓	★★★★★
Phillips, Hager & North (PH&N)	Yes	✓	★★★★★
Sun Life	Yes	✓	★★★★☆
<b>Public Fixed Income</b>			
<b>Public Fixed Income (Canada)</b>			
BlackRock	Yes	✓	★★★★☆
Connor, Clark & Lunn (CC&L)	Yes	✓	★★★★★
Phillips, Hager & North (PH&N)	Yes	✓	★★★★★
<b>Public Fixed Income (Global)</b>			
BlackRock	Yes	✓	★★★★★
Manulife	Yes	✓	★★★★★
Pimco	Yes	✓	★★★★★

Portfolio manager/mandate	In compliance	PRI signatory	PRI rating
<b>Public Fixed Income (continued)</b>			
<b>Private Credit</b>			
Apollo	Yes	✓	★★★★★
Blackstone	Yes	✓	★★★★☆
Bridgepoint	Yes	✓	★★★★★
Brookfield	Yes	✓	★★★★★
Crestline	Yes	✓	★★★★☆
Jefferies Credit Partners	Yes	✓	★★★★☆
<b>Equities</b>			
Acadian	Yes	✓	★★★★★
BlackRock	Yes	✓	★★★★☆
Connor, Clark & Lunn (CC&L)	Yes	✓	★★★★☆
JP Morgan	Yes	✓	★★★★☆
<b>Real Assets</b>			
BlackRock	Yes	✓	★★★★★
Brookfield	Yes	✓	★★★★★
CBRE IM	Yes	✓	★★★★★
Franklin Templeton <sup>(1)</sup>	Yes	✓	★★★★★
Northleaf	Yes	✓	★★★★★

<sup>1</sup> Parent company's PRI data is used