

**Chief Financial Officer's Report to  
Audit Committee  
2019 April 23**

**ISC: UNRESTRICTED  
AC2019-0503**

## **2018 Annual Investment Report**

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### **EXECUTIVE SUMMARY**

The 2018 Annual Investment Report outlined in Attachment 1 provides an overview of investment activity, asset balances, and portfolio returns for City investments during the year. It also reports on compliance with investment policy and regulatory requirements, and risk management practices.

#### **ADMINISTRATION RECOMMENDATION:**

That the Audit Committee recommends that Council receive the 2018 Annual Investment Report for information at the 2019 April 29 combined Council meeting.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

Pursuant to The City of Calgary Investment Governance Policy (CFO001), Administration reports to Council annually, through the Audit Committee, regarding the investments of The City during the year.

### **BACKGROUND**

City funds are invested in a diversified portfolio of financial assets consisting of money market securities, short- and long-term government and corporate bonds, global and Canadian equity investments, and direct infrastructure equity investments, to meet the investment objectives of City funds. This includes return and liquidity requirements as well, to match funds with longer-term time horizons.

The Annual Investment Report is an integral component of The City's investment governance structure and risk oversight to ensure investments are optimally managed. This report provides a summary of 2018 investment activity, asset mix, asset class and investment manager performance, as well as compliance information for Audit Committee.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

In 2018, The City of Calgary's total portfolio (including internally and externally managed portfolios), returned 1.5 per cent after fees on a market value basis. The 2018 net portfolio return fell short of the benchmark return of 1.6 per cent, and the 2018 the annual inflation rate for Canada of 2.0 per cent. On a four-year annualized basis, the total portfolio return of 2.0 per cent exceeded the benchmark return of 1.8 per cent.

City investments are managed by a combination of investment managers; internally by the Treasury division within Finance business unit and externally by several specialty managers retained to manage bond and equity portfolio mandates.

### **Stakeholder Engagement, Research and Communication**

The Investment Advisory Committee ("IAC") provides oversight of City investments and monitors compliance with all applicable policies and regulations. The 2018 Annual Investment Report on investment holdings and performance was reviewed and approved by the IAC at its meeting on 2019 April 4.

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**Strategic Alignment**

The management of The City's investment portfolios follows industry best practice and aligns with prudent stewardship of financial resources and sustainability of The City.

**Social, Environmental, Economic (External)**

**Social**

Prudent and responsible investment of The City's investments provides necessary financial resources and generates sustainable investment income in support of City operations and objectives.

**Environmental**

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

**Economic (External)**

Financial and economic market conditions impact both investment income earned, as well as the market valuation of The City's investment portfolios.

**Financial Capacity**

***Current and Future Operating Budget:***

Total investment income earned in 2018 was \$113.6 million compared to budget of \$73.6 million. There are no specific financial implications associated with this report.

***Current and Future Capital Budget:***

There are no specific financial implications associated with this report.

**Risk Assessment**

The City of Calgary mitigates risk within its investment portfolios through a sound governance structure, adherence to government regulations, and The City's Investment Policy. Investment managers retained by The City, manage risk by investing in quality investments and ensuring sufficient diversification among holdings in their portfolios. The IAC oversees investment strategy and regularly reviews the investment activity, compliance and risk mitigation practices of both internal and external managers to meet City's investment objectives

**REASON(S) FOR RECOMMENDATION(S):**

As part of a sound governance practice, the Annual Investment Report provides the Audit Committee and Council with the reporting of The City's investment activity, asset class holdings, and performance during 2018 to meet investment objectives.

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**ATTACHMENT(S)**

Attachment 1 - 2018 Annual Investment Report