



Town of Newmarket
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Third Quarter 2023 Investment Summary Information Report

Report Number: 2023-31

Department(s): Financial Services

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Date: November 17, 2023

In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

Purpose

To inform the third quarter 2023 investment results.

Background

Financial Services reports on the Town's financial results on a quarterly basis. This report provides a summary on the third quarter 2023 investment results.

Discussion

The average weighted yield on reserve fund money market investments was 2.9% (2022 – 2.27%) compared to a weighted average benchmark of 5.34% for the nine months ending September 30, 2023.

Investment returns on short and long-term investments resulted in total investment income of \$0.9 million against the benchmark return of \$1.7 million. Some of the Town's investments were made and locked in prior to the rising interest rates in 2022 which resulted in the actual return to-date being lower than the benchmark. At the end of the third quarter, the investment with One Equity showed unrealized gains of \$1.7 million.

The reserve fund investment portfolio as of September 30, 2023 included:

- i) \$35.0 million (50.1%) Guaranteed Investment Certificates ("GIC") with major banks
- ii) \$23.3 million (33.4%) in Canadian equities

- iii) \$7.5 million (10.8%) in non-traditional investments (internal loans)
- iv) \$4.0 million (5.7%) Principal-Protected Notes (“PPN”)

At the end of the third quarter 2023, investments in Canadian Equities were valued at \$23.3 million against the 2022 year-end market value of \$21.6 million with a return of 7.9%. The S&P/TSX Composite is a widely quoted benchmark for the Canadian Equity market. For the year-to-date third quarter 2023, the index returned 0.8% (third quarter return -3.0%).

As outlined in the Reserve and Reserve Fund Review workshop, it is reasonable and fiscally prudent to set investment target to Construction Price Index to preserve the Town’s reserve fund balances, such as the Asset Replacement Reserve Funds, in order to address inflation. This will likely require increasing equity market investments in the future.

Passive investments

Total interest earned in the third quarter from the Town’s operating bank accounts was \$2.1 million against year-to-date September budget of \$0.5 million. In 2022, bank interest in excess of the annual budget was transferred to the Asset Replacement Fund. Staff will monitor and assess to determine if a transfer will be made at year-end based on the overall 2023 tax-supported operating budget year-end financial results.

Conclusion

In the opinion of the Treasurer, all investments made were in line with the investment policies, strategies and goals adopted by the Town. As per the goals approved in staff report 2022-09, the Town’s investment in the equity market does not exceed 40% of the total investment portfolio.

Business Plan and Strategic Plan Linkages

All investment returns on reserves have been allocated to the corresponding reserves. It aligns with the Town’s core value for Long Term Financial Sustainability.

Consultation

Not applicable.

Human Resource Considerations

Not applicable.

Budget Impact

All investment returns on reserves have been allocated to the corresponding reserves.

Attachments

Attachment 1 – Investment Summary for the nine months ended September 30, 2023.

Approval

Mike Mayes, CPA, CGA, DPA
Director, Financial Services / Treasurer

Esther Armchuk, LL. B
Commissioner, Corporate Services

Contact

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Appendix 1 - Investment Summary for the nine months ended Sept 30, 2023

Description	Principal Amount		Starting Date	Term	January 1 to Sept 30,2023			
	2023-01-01	2023-09-30			Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
Royal Bank	\$28,383,448	\$28,963,074	2017-09-21	Various	various	\$596,251	\$1,134,821	-\$538,570
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$157,562	\$236,972	-\$79,411
Internal Loan -Solar Panels (2013, Various Facilities)	\$163,303	\$154,508	2013-12-01	20 years	3.00%	\$3,251	\$6,102	-\$2,851
Internal Loan - RJT Solar Panels (2014)	\$428,732	\$406,126	2015-01-01	20 years	3.00%	\$9,338	\$16,040	-\$6,702
Internal Loan - Magna Solar Panels (2015)	\$1,055,380	\$1,003,848	2016-01-01	20 years	2.70%	\$20,739	\$39,647	-\$18,908
Internal Loan - Honeywell Streetlights Retrofit Project	\$6,233,559	\$5,955,383	2013-12-10	20 years	2.70%	\$122,614	\$235,210	-\$112,596
Sub-Total	\$42,264,422	\$42,482,939				\$909,755	\$1,668,793	-\$759,039

* Average Benchmark Return = Weighted CIBC Prime Rate - 1.5%

PRINCIPAL PROTECTED INVESTMENTS

Description	Principal Amount		Starting Date	Term	January 1 to Sept 30,2023			
	2023-01-01	2023-09-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
CIBC (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	4 years			\$78,991	-\$78,991
CIBC (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	5 years			\$78,991	-\$78,991
Sub-Total	\$4,000,000	\$4,000,000				\$0	\$157,982	-\$157,982

CANADIAN EQUITY PORTFOLIO

Description	Market Value		Starting Date	Term	January 1 to Sept 30,2023			
	2023-01-01	2023-09-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
ONE INVESTMENT	\$21,582,702	\$23,302,195				\$1,719,493	\$886,507	\$832,986
Sub-Total	\$21,582,702	\$23,302,195				\$1,719,493	\$886,507	\$832,986
Grand Total	\$67,847,124	\$69,785,134				\$2,629,248	\$2,713,283	-\$84,035

Note 1:

Principal protected participation notes are a structured investment product that provides returns linked to the performance of a reference asset while also guaranteeing 100% principal protection at maturity. The original principal is fully protected at maturity regardless of the performance of the reference asset.