

City of Hamilton Reserve Fund and Future Fund Treasurer's Investment Report 2013 Fiscal Year

April 2014

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Introduction

As the acting Investment Consultant, Aon Hewitt, is required to prepare, on behalf of the Treasurer of the City of Hamilton ("City"), an investment report, referred to as the Treasurer's Report ("the report"), relating to the activities of the City of Hamilton Reserve Fund and the Hamilton Future Fund ("the Funds") during the prior fiscal year. The report will be presented to City Council in the second quarter of every calendar year.

The report is part of a broader governance oversight of the Funds, which includes financial audits, used to evaluate and monitor the various responsibilities that have been delegated by the Treasurer and City Council. More specifically, the overall objective of the report is to ensure that the Funds are managed in accordance with existing legislation and the guidelines set out in the Statement of Investment Policies and Procedures for the City of Hamilton Reserve Funds and Trust Accounts ("SIP&P") as well as to provide an independent third party review of the Funds' performance.

The report has been written in accordance with Section 1.11 of the SIP&P. As stipulated in Section 1.11 of the SIP&P, the report must contain the following items:

- A statement about the performance of the portfolio of investments of the City during the period covered by the report;
- A listing of the types of securities in which the portfolio invested during the period covered by the report;
- A listing of the securities and their credit ratings held by the portfolio at the date of the report;
- A record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale of each security; and
- A statement by the Chief Investment Officer ("CIO") as to whether or not, in his or her opinion, the management of the Funds were made in accordance with all the terms, conditions and guidelines stipulated in the SIP&P in effect during 2013.

This report addresses only the activities of the City of Hamilton Reserve Fund and the Hamilton Future Fund. The Trust Accounts are not covered by this report.

Reserve Fund Performance and Future Fund Performance

The returns of the Funds are determined by RBC Investor & Treasury Services ("RBC"), the custodian, on a daily basis for the City of Hamilton Reserve Fund and on a monthly basis for the Hamilton Future Fund. Aon Hewitt verifies RBC's return figures, on a monthly basis only, through a separate calculation using RBC's monthly custodian statement as its data source. A tracking error of +/- 0.1% per period between the two calculations is deemed acceptable whilst discrepancies outside the tolerance range must be identified and corrected by mutual agreement.

The return calculation adopted by Aon Hewitt uses a monthly time-weighted methodology which includes realized and unrealized gains and losses and income from all sources and includes accruals. The return calculations are based on the Dietz method, whereby cash flows are assumed to occur at the mid-point of each month. Settlement date accounting is used. In cases where large cash flows occur away from mid-month, the Modified Dietz method is used, which day-weights cash flows. Monthly returns are geometrically linked to develop returns for longer periods. Returns for periods less than one year are not annualized. Returns for periods greater than one year are annualized. All return inputs, including market and book values, income from interest and dividends, accruals and external cash flows are taken from the custodian statements. Investment management fees are not included in return calculations but transaction costs are considered.

Aon Hewitt's return calculations are made in accordance with CFA Institute performance methodology standards. While the CFA Institute requires minimum quarterly valuations, Aon Hewitt exceeds that standard by using monthly valuations.

The Funds' performance objective, as outlined in Section 4.10 of the SIP&P, is to outperform a benchmark portfolio constructed from a blend of returns composed of 62.5% of the DEX All Government Short Term Bond Index, 27.5% of the DEX All Government Bond Index and 10.0% of DEX 91-Day Treasury-Bill Index.

Benchmark	%
DEX All Government Short Term Bond Index	62.5
DEX All Government Bond Index	27.5
DEX 91-Day Treasury Bill Index	<u>10.0</u>
	100.0

The performance returns of the Funds over each of the quarters of 2013, and the one-, two- and three- year periods ending December 31, 2013 are as follows:

City of Hamilton Reserve Fund—Performance %

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	One Year	Two Years (annualized)	Three Years (annualized)
RBC	0.9	-1.6	0.5	-0.5	-0.7	1.2	3.0
Aon Hewitt	<u>0.9</u>	<u>-1.6</u>	<u>0.5</u>	<u>-0.5</u>	<u>-0.7</u>	<u>1.2</u>	<u>3.0</u>
Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Benchmark	0.6	-1.0	0.4	0.5	0.4	1.0	2.6
Value Added (RBC)	0.3	-0.6	0.1	-1.0	-1.1	0.2	0.4

The returns calculated by RBC, compared to the returns calculated by Aon Hewitt, as shown above are within the tracking error tolerance range over all periods.

Over a one-year period, the City of Hamilton Reserve Fund's return of -0.7% underperformed the benchmark return of 0.4% by 110 basis points. This underperformance was mainly due to an underweight in short-term issues, as short-term bonds outperformed mid-term and long-term bonds over the last year.

Hamilton Future Fund—Performance %

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	One Year	Two Years (annualized)	Three Years (annualized)
RBC	0.9	-1.5	0.2	0.5	0.0	1.1	2.1
Aon Hewitt	<u>0.8</u>	<u>-1.5</u>	<u>0.2</u>	<u>0.5</u>	<u>-0.1</u>	<u>1.0</u>	<u>2.1</u>
Difference	-0.1	0.0	0.0	0.0	-0.1	-0.1	0.0
Benchmark	0.6	-1.0	0.4	0.5	0.4	1.0	2.6
Value Added (RBC)	0.3	-0.5	-0.2	0.0	-0.4	0.1	-0.5

The returns calculated by RBC, compared to the returns calculated by Aon Hewitt, as shown above are within the tracking error tolerance range over all periods.

Over a one-year period, the City of Hamilton Future Fund's return of 0.0% underperformed the benchmark return of 0.4% by 40 basis points. This underperformance was due to an underweight in short-term bonds.

Types of Securities

The City is only allowed to invest in securities permitted under the Municipal Act as stipulated under the Eligible Investments, Regulation 438/97. As per Section 4.02 of the SIP&P, an Approved List of Investments has been established by the General Manager and the CIO. The Approved List corresponds to some of the permitted investments under the Municipal Act. The Approved List is as follows:

Bonds, Debentures, Promissory Notes, Other Evidence of Indebtedness Issued by or Guaranteed by

Government of Canada
 Canadian Provincial Government
 Government of Canada Agency
 Canadian Provincial Agency
 Country other than Canada
 Canadian Municipality, including the City of Hamilton
 School Board in Canada
 Municipal Finance Authority of British Columbia
 Canadian Corporation
 Bank in Canada
 Ontario Strategic Infrastructure Financing Authority (OSIFA)
 International Bank for Reconstruction
 Inter-American Development Bank
 Supranational Financial Institution
 Supranational Governmental Organization

Deposit Receipts, Deposit Notes, Certificate of Deposits, Acceptances Issued by or Guaranteed by

Bank in Canada

Asset Backed Securities

Asset Backed Commercial Paper ("ABCP")
 Asset Backed Securities ("ABS")

Forward Rate Agreements

Shares Issued by a Corporation Incorporated Under the Laws of Canada or a Province in Canada**

Grandfathered Investments

Non-Bank ABCP and Master Asset Vehicle Securities as per the Municipal Act. See Pg 27 of the City's SIP&P.

The above securities may only be expressed or payable in Canadian dollars.

**A municipality shall not invest in a security under paragraph 7.1 or 8.1 of section 2 unless, on the date the investment is made, the municipality has entered into an agreement with the Local Authority Services Limited and the CHUMS Financing corporation to act together as the municipality's agent for the investment in the security. O. Reg. 655/05, s. 4 (3).

We have reviewed the custodian statements as well as the transactions that have occurred to determine the types of securities that were held by the Funds during the 2013 period. We can confirm that the types of securities that were held in the City of Hamilton Reserve Fund and the Hamilton Future Fund during 2013 are as listed as follows:

The types of securities held by the City of Hamilton Reserve Fund were as follows:

City of Hamilton Reserve Fund—Types of Securities

Bonds, Debentures, Promissory Notes, Other Evidence of Indebtedness Issued by or Guaranteed by

Government of Canada
 Canadian Provincial Government
 Government of Canada Agency
 Canadian Provincial Agency
 Canadian Municipality
 School Board in Canada
 Municipal Finance Authority of British Columbia
 Bank in Canada

Deposit receipts, Deposit Notes, Certificate of Deposits, Acceptances Issued by or Guaranteed by

Bank in Canada

Shares Issued by a Corporation Incorporated Under the Laws of Canada or a Province in Canada

One Equity Portfolio

Grandfathered Investments

Devonshire Trust ABCP
 Master Asset Vehicle (MAV) Securities

The types of securities held by the Hamilton Future Fund were as follows:

Hamilton Future Fund—Types of Securities

Bonds, Debentures, Promissory Notes, Other Evidence of Indebtedness Issued by or Guaranteed by

Government of Canada
 Canadian Provincial Government
 Government of Canada Agency
 Canadian Provincial Agency
 Canadian Municipality
 Bank in Canada

Deposit Receipts, Deposit Notes, Certificate of Deposits, Acceptances Issued by or Guaranteed by

Bank in Canada

In addition to the above list of securities, the Hamilton Future Fund has some monies invested in a private placement of 2,000 common shares of the Hamilton Utilities Corporation which amounts to \$151.6 million. As well, a small amount of money was also invested in a Short-Term Investment Fund ("STIF") of RBC.

All securities were expressed or payable in Canadian dollars. The types of securities held by the City of Hamilton Reserve Fund and the Hamilton Future Fund during 2013 were all part of the Approved List.

Portfolio Securities as at December 31, 2013

City of Hamilton Reserve Fund

Below are The City of Hamilton Reserve Fund securities and credit ratings as at December 31, 2013. In, addition to the listings below, the Reserve Fund also held shares of the One Equity Portfolio, with a market value of \$11,140,128 and a book value of \$8,500,000.

As of December 31, 2013, The City of Hamilton Reserve Fund held \$16.1 million or 2.1% of the fund in City of Hamilton securities. Over the last year, the market value of the City of Hamilton securities decreased by \$0.7 million from \$16.8 million as of December 31, 2012. There were no additional transactions of the City of Hamilton securities over the last year and the decrease in market value was due to market fluctuation.

As at December 31, 2013, the City of Hamilton Reserve Fund no longer held Master Asset Vehicle (MAV) securities. On October 4, 2013, the City disposed (sold in the public market) of its entire holdings (par value \$75,664,883) of MAVII securities in the Reserve Fund. The proceeds from the sale were subsequently reinvested in eligible securities in the Reserve Fund.

Date	Issuer Name	Annual Coupon Rate	Maturity Date	Market Price	S&P Rating	Portfolio Market Value	
						(\$)	(%)
Federal and Federal Guarantee Bonds							
12/31/2013	Government of Canada	2.75%	1-Jun-22	100.7073	AAA	10,070,734.80	1.33
12/31/2013	Canada Housing Trust	2.65%	15-Mar-22	97.7582	AAA	6,843,074.00	0.90
12/31/2013	Canada Housing Trust	2.40%	15-Dec-22	94.9400	AAA	4,747,000.00	0.63
Provincial and Provincial Guarantee Bonds							
12/31/2013	Alberta Capital Finance Authority	0.83%	2-Jul-14	100.2780	AAA	19,052,820.00	2.51
12/31/2013	Financement Quebec	3.50%	1-Dec-17	105.3824	A+	5,269,121.15	0.69
12/31/2013	Financement Quebec	2.45%	1-Dec-19	98.5141	A+	4,925,704.50	0.65
12/31/2013	Municipal Finance Authority of British Columbia	4.15%	1-Jun-21	106.3960	AAA	14,895,442.38	1.96
12/31/2013	Municipal Finance Authority of British Columbia	3.00%	1-Jun-16	103.7806	AAA	18,317,272.37	2.41
12/31/2013	Province of Alberta	1.85%	1-Sep-16	101.4270	AAA	10,142,700.00	1.34
12/31/2013	Province of Alberta	2.55%	15-Dec-22	94.4500	AAA	18,889,997.20	2.49
12/31/2013	Province of Alberta	2.90%	20-Sep-29	89.2096	AAA	4,014,432.86	0.53
12/31/2013	Province of Alberta	1.75%	15-Jun-17	100.2774	AAA	15,041,607.30	1.98
12/31/2013	Province of British Columbia	2.70%	18-Dec-22	95.5959	AAA	7,647,668.08	1.01
12/31/2013	Province of British Columbia	3.70%	18-Dec-20	105.8681	AAA	10,586,814.40	1.39
12/31/2013	Province of British Columbia	Generic	9-Jun-14	99.5445	AAA	20,479,741.09	2.70
12/31/2013	Province of British Columbia	Generic	9-Jun-14	99.5333	AAA	870,555.30	0.11
12/31/2013	Province of British Columbia	4.25%	18-Jun-14	101.4420	AAA	7,100,940.00	0.94
12/31/2013	Province of British Columbia	3.25%	18-Dec-21	101.4531	AAA	22,319,672.54	2.94
12/31/2013	Province of British Columbia	2.25%	1-Mar-19	99.6261	AAA	3,985,042.08	0.52
12/31/2013	Province of Manitoba	1.85%	1-Jun-17	100.5906	AA	15,088,584.45	1.99

12/31/2013	Province of Manitoba	4.30%	1-Mar-16	106.4674	AA	5,323,371.30	0.70
12/31/2013	Province of Manitoba	3.85%	1-Dec-21	105.0385	AA	21,007,691.40	2.77
12/31/2013	Province of Manitoba	2.55%	2-Jun-23	92.7207	AA	10,662,875.21	1.40
12/31/2013	Province of Manitoba	Floating	17-Apr-14	100.1130	AA	10,011,300.00	1.32
12/31/2013	Province of New Brunswick	3.35%	3-Dec-21	100.9513	A+	5,047,563.90	0.66
12/31/2013	Province of New Brunswick	2.85%	2-Jun-23	94.4022	A+	12,437,491.96	1.64
12/31/2013	New Brunswick Municipal Finance Corporation	1.95%	30-Nov-16	99.8310	A+	2,084,471.28	0.27
12/31/2013	New Brunswick Municipal Finance Corporation	2.90%	14-Jun-21	96.4180	A+	3,257,000.04	0.43
12/31/2013	New Brunswick Municipal Finance Corporation	3.05%	20-Nov-20	97.9290	A+	3,242,429.19	0.43
12/31/2013	New Brunswick Municipal Finance Corporation	2.80%	20-Nov-19	98.0300	A+	3,156,566.00	0.42
12/31/2013	Province of Ontario	5.00%	8-Mar-14	100.6867	AA-	5,034,336.15	0.66
12/31/2013	Province of Ontario	3.15%	2-Jun-22	98.4358	AA-	41,343,052.80	5.45
12/31/2013	Province of Ontario	2.10%	8-Sep-08	98.9859	AA-	14,847,880.50	1.96
12/31/2013	Province of Ontario	2.85%	2-Jun-23	94.5522	AA-	9,455,220.60	1.25
12/31/2013	Province of Ontario	Floating	28-Aug-18	100.0940	AA-	6,005,640.00	0.79
12/31/2013	Province of Prince Edward Island	3.70%	2-Sep-20	104.4696	A	4,544,425.64	0.60
12/31/2013	Province of Quebec	3.50%	1-Dec-22	100.0281	A+	13,003,657.42	1.71
12/31/2013	Province of Quebec	3.00%	1-Sep-23	94.8130	A+	1,896,260.00	0.25

Municipal Bonds

12/31/2013	City of Hamilton	4.65%	30-Nov-17	108.9390	AA	2,832,414.00	0.37
12/31/2013	City of Hamilton	5.05%	19-Jun-21	105.2890	AA	3,219,737.62	0.42
12/31/2013	City of Hamilton	6.05%	12-Jul-15	106.9627	AA	3,464,520.27	0.46
12/31/2013	City of Hamilton	4.95%	31-Mar-18	110.0910	AA	4,810,976.70	0.63
12/31/2013	City of Hamilton	6.75%	19-Jul-16	111.9577	AA	1,794,682.52	0.24
12/31/2013	Region of Halton	5.20%	24-Sep-16	109.4330	AAA	759,465.02	0.10
12/31/2013	City of London	2.40%	3-Sep-17	99.7900	Aaa (Moody's)	4,783,932.60	0.63
12/31/2013	City of Montreal	3.50%	1-Sep-23	96.3660	A+	5,781,961.26	0.76
12/31/2013	City of Ottawa	2.30%	22-Oct-17	100.2050	AA+	4,763,745.70	0.63
12/31/2013	City of Ottawa	3.05%	19-Oct-19	100.5470	AA+	2,513,675.00	0.33
12/31/2013	City of Peterborough	4.20%	5-Mar-18	107.1660	AA-	2,449,814.76	0.32
12/31/2013	City of Peterborough	4.45%	5-Mar-19	108.1230	AA-	2,471,691.78	0.33
12/31/2013	City of Saskatoon	4.40%	27-Jun-17	107.5240	AAA	1,018,252.28	0.13
12/31/2013	City of Quebec	2.30%	4-Dec-18	96.2220	Aa2 (Moody's)	3,848,880.00	0.51
12/31/2013	City of Saskatoon	4.35%	27-Jun-16	106.2890	AAA	965,104.12	0.13
12/31/2013	City of Saskatoon	4.45%	27-Jun-18	107.4570	AAA	1,061,675.16	0.14
12/31/2013	City of Saskatoon	4.55%	27-Jun-19	107.4030	AAA	1,107,324.93	0.15
12/31/2013	City of Toronto	3.50%	12-Jun-21	100.5471	AA	13,071,117.15	1.72
12/31/2013	City of Toronto	4.95%	27-Jun-18	110.6352	AA	2,765,879.73	0.36
12/31/2013	City of Vancouver	3.45%	2-Dec-21	100.3838	AA	8,030,703.36	1.06
12/31/2013	City of Vancouver	3.75%	24-Oct-23	99.4915	AA	3,979,661.64	0.52

12/31/2013	City of Waterloo	4.40%	30-Oct-14	102.4070	Aaa (Moody's)	2,696,376.31	0.36
12/31/2013	City of Waterloo	3.55%	30-Nov-18	103.8080	Aaa (Moody's)	6,113,253.12	0.81
12/31/2013	City of Waterloo	3.00%	21-Nov-19	99.8121	Aaa (Moody's)	4,389,779.92	0.58
12/31/2013	City of Waterloo	2.30%	24-Oct-17	99.7640	Aaa (Moody's)	5,240,602.92	0.69
12/31/2013	City of Winnipeg	6.25%	17-Nov-17	114.6102	AA	573,051.15	0.08
12/31/2013	Region of Peel	3.50%	1-Dec-21	100.4103	AAA	12,049,231.80	1.59
12/31/2013	Region of York	4.00%	30-Jun-21	104.5691	AAA	7,319,833.92	0.96

Corporate Bonds

12/31/2013	Bank of Montreal	4.61%	10-Sep-25	105.2069	A+	3,682,241.36	0.49
12/31/2013	Bank of Montreal	3.49%	10-Jun-16	103.9961	A+	6,863,741.15	0.90
12/31/2013	Bank of Montreal	2.96%	2-Aug-16	102.7309	A+	3,595,582.24	0.47
12/31/2013	Bank of Montreal	3.10%	10-Mar-16	102.8623	A+	4,114,493.12	0.54
12/31/2013	Bank of Montreal	3.93%	27-Apr-15	103.1799	A+	5,158,994.90	0.68
12/31/2013	Bank of Montreal	5.45%	17-Jul-17	110.7687	A+	12,184,560.52	1.61
12/31/2013	Bank of Montreal	1.89%	5-Oct-15	100.5030	A+	5,025,149.25	0.66
12/31/2013	Bank of Montreal	2.39%	12-Jul-17	100.5338	A+	4,021,352.44	0.53
12/31/2013	Bank of Montreal	2.24%	11-Dec-17	99.1309	A+	1,982,617.16	0.26
12/31/2013	Bank of Montreal	3.21%	13-Sep-18	101.9681	A+	5,098,404.45	0.67
12/31/2013	Bank of Montreal	2.84%	4-Jun-20	98.1258	A+	1,962,515.64	0.26
12/31/2013	Bank of Montreal	3.40%	23-Apr-21	99.8935	A+	9,989,353.80	1.32
12/31/2013	Bank of Nova Scotia	2.25%	8-May-15	101.0411	A+	4,041,643.04	0.53
12/31/2013	Bank of Nova Scotia	3.43%	16-Jul-14	101.1602	A+	6,069,613.26	0.80
12/31/2013	Bank of Nova Scotia	4.10%	8-Jun-17	106.2256	A+	5,311,280.95	0.70
12/31/2013	Bank of Nova Scotia	2.75%	13-Aug-18	100.3268	A+	2,006,536.20	0.26
12/31/2013	Bank of Nova Scotia	3.34%	25-Mar-15	102.3000	A+	11,252,997.25	1.48
12/31/2013	Canadian Imperial Bank of Commerce	2.35%	18-Oct-17	99.7946	A+	9,081,311.79	1.20
12/31/2013	Canadian Imperial Bank of Commerce	2.20%	22-May-15	100.9945	A+	5,049,724.65	0.67
12/31/2013	Canadian Imperial Bank of Commerce	2.22%	7-Mar-18	98.6333	A+	6,904,333.80	0.91
12/31/2013	Canadian Imperial Bank of Commerce	3.95%	14-Jul-17	105.8117	A+	16,506,621.92	2.17
12/31/2013	Canadian Imperial Bank of Commerce	2.65%	8-Nov-16	101.9207	A+	7,134,448.23	0.94
12/31/2013	Canadian Imperial Bank of Commerce	3.30%	19-Nov-14	101.6964	A+	10,169,643.10	1.34
12/31/2013	Canadian Imperial Bank of Commerce	3.40%	14-Jan-16	103.3104	A+	9,814,487.72	1.29
12/31/2013	Canadian Western Bank	2.53%	22-Mar-18	98.7428	A (low) (DBRS)	1,110,856.92	0.15
12/31/2013	Royal Bank of Canada	2.26%	12-Mar-18	98.7459	AA-	3,949,834.68	0.52
12/31/2013	Royal Bank of Canada	3.66%	25-Jan-17	104.7290	AA-	10,472,895.20	1.38
12/31/2013	Royal Bank of Canada	2.77%	11-Dec-18	99.6877	AA-	9,968,771.00	1.31
12/31/2013	Royal Bank of Canada	2.89%	11-Oct-18	100.4441	AA-	5,022,207.00	0.66
12/31/2013	Royal Bank of Canada	Floating	21-Jan-14	100.0170	AA-	10,001,700.00	1.32

12/31/2013	Royal Bank of Canada	2.25%	5-Oct-17	100.1900	AA-	1,001,900.00	0.13
12/31/2013	Royal Bank of Canada	2.05%	13-Jan-15	100.7160	AA-	5,035,800.80	0.66
12/31/2013	Royal Bank of Canada	3.03%	26-Jul-16	102.8812	AA-	5,144,059.10	0.68
12/31/2013	Royal Bank of Canada	4.93%	16-Jul-25	108.0122	AA-	5,400,612.00	0.71
12/31/2013	Toronto Dominion Bank	2.95%	2-Aug-16	102.8213	AA-	6,169,278.60	0.81
12/31/2013	Toronto Dominion Bank	2.43%	15-Aug-17	100.3632	AA-	18,165,744.99	2.39

Equivalents

12/31/2013	Devonshire Trust Services		26-Sep-07	99.1900	Discontinued	9,919,000.00	1.31
12/31/2013	Cash					81,000.00	0.01

Net Accruals 4,120,329.85 0.54

Total Fund 759,113,140.71 100.00

City of Hamilton Future Fund

Below are the Hamilton Future Fund securities and credit ratings as at December 31, 2013. In addition to the securities below, Hamilton Utilities Corporation common shares worth \$151,563,000 were also held in the portfolio. This amount is not included in the total portfolio value shown below.

Date	Issuer Name	Annual Coupon Rate	Maturity Date	Market Price	S&P Rating	Portfolio Market Value	
						(\$)	(%)
Provincial and Provincial Guarantee Bonds							
12/31/2013	Financement Quebec	2.45%	1-Dec-19	98.5141	A+	3,447,993.15	6.66
12/31/2013	Province of British Columbia	2.70%	18-Dec-22	95.5959	AAA	1,911,917.02	3.69
12/31/2013	Province of New Brunswick	3.10%	30-Nov-22	94.9720	AA-	1,899,440.00	3.67
12/31/2013	Province of Ontario	5.00%	8-Mar-14	100.6867	AA-	4,027,468.92	7.78
12/31/2013	Province of Ontario	3.15%	2-Jun-22	98.4358	AA-	984,358.40	1.90
12/31/2013	Province of Ontario	2.85%	2-Jun-23	94.5522	AA-	3,782,088.24	7.31
Municipal Bonds							
12/31/2013	City of Montreal	5.00%	1-Dec-18	110.3561	A+	1,103,561.28	2.13
Corporate Bonds							
12/31/2013	Bank of Montreal	3.49%	10-Jun-16	103.9961	A+	935,964.70	1.81
12/31/2013	Bank of Montreal	5.45%	17-Jul-17	110.7687	A+	3,323,061.96	6.42
12/31/2013	Bank of Montreal	2.24%	11-Dec-17	99.1309	A+	892,177.72	1.72
12/31/2013	Bank of Nova Scotia	3.43%	16-Jul-14	101.1602	A+	2,326,685.08	4.50
12/31/2013	Bank of Nova Scotia	3.34%	25-Mar-15	102.3000	A+	2,045,999.50	3.95
12/31/2013	Canadian Imperial Bank of Commerce	2.65%	8-Nov-16	101.9207	A+	3,057,620.67	5.91
12/31/2013	Canadian Imperial Bank of Commerce	2.35%	18-Oct-17	99.7946	A+	898,151.72	1.74
12/31/2013	Canadian Western Bank	2.378%	14-Sep-15	101.0236	A (low) (DBRS)	1,111,259.39	2.15
12/31/2013	Canadian Western Bank	2.531%	22-Mar-18	98.7428	A (low) (DBRS)	296,228.51	0.57

12/31/2013	Royal Bank of Canada	2.25%	5-Oct-17	100.1900	AA-	2,003,800.00	3.87
12/31/2013	Royal Bank of Canada	4.71%	22-Dec-14	103.1851	AA-	2,063,702.88	3.99
12/31/2013	Royal Bank of Canada	2.26%	12-Mar-18	98.7459	AA-	987,458.67	1.91
12/31/2013	Toronto Dominion Bank	2.948%	2-Aug-16	102.8213	AA-	4,010,031.09	7.75
12/31/2013	Toronto Dominion Bank	2.171%	2-Apr-18	98.6320	AA-	986,319.70	1.91

Equivalents

12/31/2013	Province of Manitoba T-Bill			99.7800		5,487,900.00	10.60
12/31/2013	Province of Ontario T-Bill			99.7640		3,491,740.00	6.75
12/31/2013	Classified STIF			10.0000		342,062.06	0.66

Net Accruals	343,207.31	0.66
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Total Fund	51,760,197.97	100.00
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Restrictions	
Constraints	Policy Complied with Yes/No
The City shall not invest more than 25% of the portfolio in short-term debt issued or guaranteed by the City.	Yes
Total Investment in 'A' or equivalent rated debt on purchase must not exceed 35% of the market value of the City's bond portfolio.	Yes
The City shall not invest in a security that is expressed or payable in any currency other than Canadian dollars.	Yes
The City shall not invest in a security issued or guaranteed by a school board or similar entity unless the money raised by issuing the security is to be used for school purposes.	Yes

Permitted ranges	(%)	
Federal issues	0-100	Yes
Provincial holdings in aggregate	0-100	Yes
Single province exposure	0-50	Yes
Individual non-federal/non provincial holdings *	0-10	Yes
Non-federal/non provincial holdings in aggregate	0-50	Yes
Municipal issues *		
- individual muni issue rated "AAA"	0-10	Yes
- individual muni issue rated "AA"	0-10	Yes
- individual muni issue rated "A"	0-5	Yes
Municipal holdings in aggregate	0-30	Yes
Short-term securities	0-50	Yes
Portfolio duration	1-6 Years	Yes

* Except for City of Hamilton issues which have a limit of 25%

As at December 31, 2013 on a combined basis, the Funds were being managed consistent with the minimum quality requirements, maximum quantity restrictions and all other restrictions imposed on it with the exception of one type of investment detailed in Appendix I. Securities lending is allowed, and as such, monies were loaned during the year for the purpose of generating revenues for the Funds. In managing the securities lending program, RBC complied with the constraints described in the legal letter dated January 6, 2003. The ratings were assumed to be the same for all issues of an issuer. Throughout the year, reports are provided by RBC to the CIO on a weekly basis, showing the securities that the City invested in for the Reserve Fund together with each security's market value. The analysis of the reports indicates whether the securities in the Funds are consistent with the terms, conditions and guidelines stipulated in the SIP&P. Securities that are not consistent with the terms, conditions and guidelines stipulated in the SIP&P are reviewed and action is taken to remedy the situation as soon as possible.

Transactions

There is a great deal of activity every month through the receipt of new monies, disbursements and rebalancing. The cash management and transactions of the Funds are considerable.

There were approximately net cash outflows of \$16.8 million with approximately \$134.8 million of new monies and approximately \$151.6 million of disbursements in the City of Hamilton Reserve Fund during 2013. There were approximately net cash outflows of \$15.3 million with approximately \$6.9 million of new monies and approximately \$22.2 million of disbursements in the Hamilton Future Fund.

In terms of transactions, there were approximately \$163.6 million of purchases (48 transactions) and \$159.1 million of sales (22 transactions) for total net purchases of approximately \$4.5 million in the City of Hamilton Reserve Fund during 2013. As well, there were approximately \$112.8 million of purchases (110 transactions) and \$126.2 million of sales (64 transactions) for total net sales of \$13.4 million in the Hamilton Future Fund during 2013. The Hamilton Future Fund transactions include the STIF cashflow transactions.

The records of each transaction are summarized in the custodial statements of RBC on a monthly basis. The statement for all purchases, sales and maturities of securities (i.e. the RBC Audit Continuity Report) is provided to the City and filed/archived for review. Due to the sizable number of transactions, it has been deemed preferable not to include the records and transaction statements in this report. We have reviewed a sample of the transaction statements against the activities recorded in the custodial statements to authenticate the nature of the transactions and the existence of their records.

Aon Hewitt confirms that the date and the name of issue/issuer of each transaction has been recorded. The statements for these purchases and sales have been filed and kept in safekeeping at the following address:

City of Hamilton, City Hall
71 Main Street West, 1st Floor
Hamilton, Ontario
L8P 4Y5

Certificate by Chief Investment Officer

This Certificate by Chief Investment Officer applies to the City of Hamilton Reserve Fund and Hamilton Future Fund ("the Funds").

The undersigned hereby confirms that throughout the reporting period of 2013.

1. The management of the Funds was in accordance with all the terms, conditions and guidelines stipulated in the Statement of Investment Policies and Procedures in effect during 2013 with the exception of one type of investment detailed in Appendix I.
2. The Funds were managed in compliance with the Municipal Act, Eligible Investments, Regulation 438/97 with the exception of one type of investment detailed in Appendix I.
3. The internal manager(s) who manage the Funds complied at all times and in all respects with the Code of Ethics and Standard of Professional Conduct as promulgated by the CFA Institute.
4. The internal manager(s) managed the Funds assets with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with the assets of these types of Funds.

Certified by,



Gerald T. Boychuk
Chief Investments Officer
City of Hamilton

Appendix I – Canadian Western Bank Deposit Notes Investment

The following purchases of the Canadian Western Bank deposit notes in the Reserve Fund and Hamilton Future Fund do not meet the eligibility requirements as prescribed by Ontario Regulation 438/97. The purchases of Canadian Western Bank deposit notes in the Reserve Fund and the Hamilton Future Fund had, at the time of purchase, a term to maturity greater than two years and was rated A (low) by Dominion Bond Rating Service. While securities of this type can be purchased, they must have a term to maturity less than two years at the time of purchase.

Reserve Fund*

Date of Purchase	Issuer Name	Annual Coupon Rate	Maturity Date
19-Mar-13	Canadian Western Bank	2.531%	22-Mar-18

Hamilton Future Fund**

Date of Purchase	Issuer Name	Annual Coupon Rate	Maturity Date
19-Mar-13	Canadian Western Bank	2.531%	22-Mar-18

The Canadian Western Bank Deposit Notes have recently been sold.

*During the 2014 fiscal year, Canadian Western Bank deposit notes with a coupon rate of 3.077% and maturity of January 14, 2019 were purchased on January 9, 2014 and February 14, 2014.

**During the 2012 fiscal year, a Canadian Western Bank deposit note with a coupon rate of 2.378% and maturity of September 14, 2015 was purchased on September 11, 2012.