

# City of Hamilton—Reserve Funds Treasurer's Investment Report 2015 Fiscal Year

March 2016

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## Introduction

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As the acting Investment Consultant, Aon Hewitt, is engaged 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 as at the date of the report;
- A description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's 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;
- A statement by the Chief Investments Officer ("CIO") as to whether or not, in his or her opinion, the management of the Funds was made in accordance with all the terms, conditions and guidelines stipulated in the SIP&P in effect during 2015; and
- Such other information that the council may require or that, in the opinion of the City Treasurer, should be included.

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

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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 FTSE TMX Canada All Government Short Term Bond Index, 27.5% of the FTSE TMX Canada All Government Bond Index and 10.0% of FTSE TMX Canada 91-Day Treasury-Bill Index.

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

The performance returns of the Funds over each of the quarters of 2015, and the one-, two-, three- and four-year periods ending December 31, 2015 are as follows:

**City of Hamilton Reserve Fund—Performance %**

	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>One Year</b>	<b>Two Years (annualized)</b>	<b>Three Years (annualized)</b>	<b>Four Years (annualized)</b>
RBC	3.1	-0.7	0.3	0.8	3.6	5.0	3.0	3.0
Aon Hewitt	<u>3.1</u>	<u>-0.7</u>	<u>0.3</u>	<u>0.8</u>	<u>3.6</u>	<u>4.9</u>	<u>3.0</u>	<u>3.0</u>
Difference	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Benchmark	2.4	-0.4	0.2	0.6	2.7	3.5	2.5	2.3
Value Added (RBC)	0.7	-0.3	0.1	0.2	0.9	1.5	0.5	0.7

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 3.6% outperformed the benchmark return of 2.7% by 90 basis points. This outperformance was mainly due to the Fund's overweight position in mid-and long-term bonds, as longer dated bonds outperformed short-term issues over the last year.

**Hamilton Future Fund—Performance %**

	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>One Year</b>	<b>Two Years (annualized)</b>	<b>Three Years (annualized)</b>	<b>Four Years (annualized)</b>
RBC	1.9	-0.4	0.3	0.9	2.6	3.4	2.3	2.2
Aon Hewitt	<u>2.0</u>	<u>-0.4</u>	<u>0.3</u>	<u>0.9</u>	<u>2.7</u>	<u>3.5</u>	<u>2.3</u>	<u>2.2</u>
Difference	-0.1	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0
Benchmark	2.4	-0.4	0.2	0.6	2.7	3.5	2.5	2.3
Value Added (RBC)	-0.5	0.0	0.1	0.3	-0.1	-0.1	-0.2	-0.1

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 2.6% slightly underperformed the benchmark return of 2.7%. This underperformance was mainly due to underweight positions in mid- and long-term bonds.

## Types of Securities

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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 City Treasurer and the CIO. The Approved List corresponds to most of the permitted investments under the Municipal Act. The Approved List is as follows:

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

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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  
 Banks in Canada  
 Ontario Strategic Infrastructure Financing Authority (OSIFA)  
 International Bank for Reconstruction and Development  
 Inter-American Development Bank  
 Supranational Financial Institution  
 Supranational Governmental Organization

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

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Banks in Canada  
 Credit Union with Guarantee

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### **Asset Backed Securities (ABS)**

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Asset Backed Securities  
 Asset Backed Commercial Paper (ABCP)

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### **Negotiable Promissory Notes or Commercial Paper (other than ABS)**

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### **Forward Rate Agreements**

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### **One Funds\*\***

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### **Shares Issued by a Corporation Incorporated Under the Laws of Canada or a Province in Canada (subject to footnotes in Approved List), Securities of a Corporation & Shares of A Corporation (subject to footnotes in Approved List)**

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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 the Ontario Regulation 438/97 of the Municipal Act) 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 2015 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 2015 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, including the City of Hamilton  
 Banks in Canada  
 Municipal Finance Authority of British Columbia

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

Banks in Canada  
 Credit Union with Guarantee

##### **One Funds<sup>1</sup>**

One Equity Portfolio

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  
 Canadian Provincial Agency  
 Canadian Municipality  
 Banks in Canada  
 Municipal Finance Authority of British Columbia

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

Banks 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 \$224.0 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 2015 were all part of the Approved List.

<sup>1</sup> Per Section 4.1 (2) of the Municipal Act. Ontario Regulation 438/97.

## Portfolio Securities as at December 31, 2015

### City of Hamilton Reserve Fund

Below are The City of Hamilton Reserve Fund securities and credit ratings as at December 31, 2015. As shown in the list below, the Reserve Fund also held shares of the One Equity Portfolio, with a market value of \$5,315,398 and a book value of \$4,176,605.

As of December 31, 2015, The City of Hamilton Reserve Fund held \$12.6 million or 1.6% of the Fund in City of Hamilton securities. Over the last year, the market value of the City of Hamilton securities decreased by \$3.5 million from \$16.1 million as of December 31, 2014. The decrease was primarily due to the maturity of the City of Hamilton security (City of Hamilton 6.05% 12July2015) on July 12, 2015 with par value of \$3.2 million. The security was originally purchased on September 9, 2006 at a cost of \$3.6 million. The remainder of the decrease in value of the City of Hamilton securities was due to market fluctuation. Other than the City of Hamilton security referenced above which matured in 2015, there were no other transactions in City of Hamilton securities over the last year.

Date	Issuer Name	Annual Coupon Rate	Maturity Date	Market Price	S&P Rating	Portfolio Market Value	
						(\$)	(%)
<b>Federal and Federal Guarantee Bonds</b>							
12/31/2015	Government of Canada	2.75%	1-Jun-22	110.6431	AAA	11,064,313.00	1.39
12/31/2015	Canada Housing Trust	2.65%	15-Mar-22	106.7951	AAA	23,494,922.00	2.96
12/31/2015	Canada Housing Trust	2.55%	15-Mar-25	105.0191	AAA	10,501,907.60	1.32
<b>Provincial and Provincial Guarantee Bonds</b>							
12/31/2015	Financement Quebec	3.50%	1-Dec-17	105.0833	A+	5,254,165.85	0.66
12/31/2015	Financement Quebec	2.45%	1-Dec-19	104.5105	A+	5,225,525.95	0.66
12/31/2015	Hydro Quebec	Floating	3-Sep-18	100.2040	A	11,022,440.00	1.39
12/31/2015	Province of Alberta	1.85%	1-Sept-16	100.8140	AA+	10,081,400.00	1.27
12/31/2015	Province of Alberta	2.35%	1-Jun-25	99.7950	AA+	7,484,622.23	0.94
12/31/2015	Province of Alberta	2.90%	20-Sep-29	100.3652	AA+	4,516,432.38	0.57
12/31/2015	Province of Alberta	2.55%	15-Dec-22	104.0467	AA+	20,809,342.80	2.62
12/31/2015	Province of British Columbia	2.70%	18-Dec-22	105.9197	AAA	8,473,573.20	1.07
12/31/2015	Province of British Columbia	3.70%	18-Dec-20	111.1803	AAA	11,118,028.60	1.40
12/31/2015	Province of British Columbia	3.25%	18-Dec-21	109.4535	AAA	24,079,769.34	3.03
12/31/2015	Province of British Columbia	2.25%	1-Mar-19	103.8583	AAA	4,154,331.48	0.52
12/31/2015	Province of British Columbia	2.70%	18-Dec-20	106.3050	AAA	4,252,200.00	0.54
12/31/2015	Province of Manitoba	2.45%	2-Jun-25	100.1002	AA	11,511,527.49	1.45
12/31/2015	Province of Manitoba	1.85%	1-Jun-17	101.6176	AA	15,242,645.25	1.92
12/31/2015	Province of Manitoba	4.30%	1-Mar-16	100.5743	AA	5,028,716.45	0.63
12/31/2015	Province of Manitoba	3.85%	1-Dec-21	111.8550	AA	22,370,999.40	2.82
12/31/2015	Province of Manitoba	2.55%	2-Jun-23	103.2700	AA	11,876,045.98	1.50
12/31/2015	Province of New Brunswick	3.35%	3-Dec-21	108.7501	A+	5,437,503.60	0.69
12/31/2015	Province of New Brunswick	2.85%	2-Jun-23	104.7852	A+	13,805,443.78	1.74



12/31/2015	New Brunswick Municipal Finance Corporation	1.95%	30-Nov-16	100.7960	A+	2,104,620.48	0.27
12/31/2015	New Brunswick Municipal Finance Corporation	2.90%	14-Jun-21	103.9350	A+	3,510,924.30	0.44
12/31/2015	New Brunswick Municipal Finance Corporation	3.05%	20-Nov-20	104.8040	A+	3,470,060.44	0.44
12/31/2015	New Brunswick Municipal Finance Corporation	3.30%	15-May-23	104.8650	A+	3,626,231.70	0.46
12/31/2015	New Brunswick Municipal Finance Corporation	2.80%	20-Nov-19	103.7620	A+	3,341,136.40	0.42
12/31/2015	New Brunswick Municipal	2.95%	8-Dec-23	102.1910	A+	4,709,983.19	0.59
12/31/2015	Province of Nova Scotia	2.15%	1-Jun-25	97.5029	A+	2,925,087.27	0.37
12/31/2015	Province of Ontario	3.15%	2-Jun-22	108.1715	A+	45,432,023.28	5.72
12/31/2015	Province of Ontario	2.10%	8-Sep-18	103.0561	A+	5,152,804.40	0.65
12/31/2015	Province of Ontario	2.10%	8-Sep-19	103.3035	A+	25,825,877.25	3.25
12/31/2015	Province of Ontario	2.85%	2-Jun-23	105.8698	A+	10,586,982.40	1.33
12/31/2015	Province of Prince Edward Island	3.70%	2-Sep-20	109.8849	A	4,779,991.98	0.60
12/31/2015	Province of Quebec	3.50%	1-Dec-22	110.3557	A+	14,346,246.07	1.81
12/31/2015	Province of Quebec	3.75%	1-Sep-24	112.0831	A+	5,604,155.15	0.71
12/31/2015	Province of Quebec	3.00%	1-Sep-23	106.6931	A+	2,133,862.00	0.27
12/31/2015	Province of Saskatchewan	1.95%	1-Mar-19	102.8134	AAA	2,056,268.02	0.26
12/31/2015	Province of Saskatchewan	3.20%	3-Jun-24	107.7104	AAA	15,079,460.06	1.90
<b>Municipal Bonds</b>							
12/31/2015	City of Hamilton	4.65%	30-Nov-17	106.6090	AA	2,771,834.00	0.35
12/31/2015	City of Hamilton	5.05%	19-Jun-21	111.8680	AA	3,420,923.44	0.44
12/31/2015	City of Hamilton	4.95%	31-Mar-18	108.1490	AA	4,726,111.30	0.60
12/31/2015	City of Hamilton	6.75%	19-Jul-16	103.0166	AA	1,651,356.51	0.21
12/31/2015	Region of Halton	5.20%	24-Sep-16	103.0980	AAA	715,500.12	0.09
12/31/2015	Region of Halton	3.30%	2-Jun-23	107.2880	AAA	6,812,788.00	0.86
12/31/2015	City of London	2.40%	3-Sep-17	102.3910	Aaa	4,908,624.54	0.62
12/31/2015	City of London	2.35%	9-May-19	103.9040	(Moody's) Aaa	1,039,040.00	0.13
12/31/2015	City of London	2.10%	16-Mar-24	99.7070	(Moody's) Aaa	997,070.00	0.13
12/31/2015	City of Montreal	3.00%	1-Sep-25	101.5847	(Moody's) AA-	401,259.70	0.05
12/31/2015	City of Montreal	3.50%	1-Sep-23	107.1832	AA-	8,253,103.71	1.04
12/31/2015	City of Ottawa	2.30%	22-Oct-17	102.1260	AA+	4,855,070.04	0.61
12/31/2015	City of Ottawa	2.00%	23-Apr-23	98.0860	AA+	5,063,199.32	0.64
12/31/2015	City of Ottawa	3.05%	23-Apr-46	90.9651	AA+	3,183,779.27	0.40
12/31/2015	City of Ottawa	3.05%	19-Oct-19	105.8090	AA+	2,645,225.00	0.33
12/31/2015	City of Peterborough	4.20%	5-Mar-18	106.7240	AA-	2,439,710.64	0.31
12/31/2015	City of Peterborough	4.45%	5-Mar-19	109.9310	AA-	2,513,022.64	0.32
12/31/2015	City of Quebec	2.30%	4-Dec-18	101.8150	Aa2	4,072,600.00	0.51
12/31/2015	Municipal Finance Authority of BC	4.15%	1-Jun-21	112.3324	(Moody's) AAA	15,726,541.74	1.98
12/31/2015	Municipal Finance Authority of BC	3.00%	1-Jun-16	100.9393	AAA	17,815,785.57	2.24
12/31/2015	City of Saskatoon	4.40%	27-Jun-17	104.7410	AAA	991,897.27	0.13

12/31/2015	City of Saskatoon	4.35%	27-Jun-16	101.5700	AAA	922,255.60	0.12
12/31/2015	City of Saskatoon	4.45%	27-Jun-18	107.4200	AAA	1,061,309.60	0.13
12/31/2015	City of Saskatoon	4.55%	27-Jun-19	109.9690	AAA	1,133,780.39	0.14
12/31/2015	City of Toronto	3.50%	12-Jun-21	109.0132	AA	14,171,718.08	1.79
12/31/2015	City of Toronto	4.95%	27-Jun-18	109.4462	AA	2,736,154.93	0.34
12/31/2015	City of Vancouver	3.45%	2-Dec-21	108.7262	AA	8,698,098.08	1.10
12/31/2015	City of Vancouver	3.75%	24-Oct-23	110.0939	AA	4,403,756.36	0.55
12/31/2015	City of Waterloo	2.75%	6-Nov-22	102.8490	Aaa	5,242,213.53	0.66
12/31/2015	City of Waterloo	3.55%	30-Nov-18	106.1950	(Moody's) Aaa	6,253,823.55	0.79
12/31/2015	City of Waterloo	3.00%	21-Nov-19	99.8413	(Moody's) Aaa	4,391,019.36	0.55
12/31/2015	City of Waterloo	2.30%	24-Oct-17	102.0210	(Moody's) Aaa	5,359,163.13	0.68
12/31/2015	City of Winnipeg	6.25%	17-Nov-17	109.6508	(Moody's) AA	548,253.86	0.07
12/31/2015	Region of Peel	3.50%	1-Dec-21	109.0625	AAA	13,087,502.64	1.65
<b>Corporate Bonds</b>							
12/31/2015	Bank of Montreal	4.61%	10-Sep-25	115.8065	A+	4,053,228.66	0.51
12/31/2015	Bank of Montreal	3.49%	10-Jun-16	101.0809	A+	6,671,338.87	0.84
12/31/2015	Bank of Montreal	2.96%	2-Aug-16	101.1258	A+	3,539,401.78	0.45
12/31/2015	Bank of Montreal	3.10%	10-Mar-16	100.3902	A+	4,015,609.40	0.51
12/31/2015	Bank of Montreal	2.12%	16-Mar-22	99.0107	A+	1,980,214.96	0.25
12/31/2015	Bank of Montreal	5.45%	17-Jul-17	106.3594	A+	11,699,532.68	1.47
12/31/2015	Bank of Montreal	2.39%	12-Jul-17	101.7523	A+	4,070,093.96	0.51
12/31/2015	Bank of Montreal	2.24%	11-Dec-17	101.7444	A+	2,034,888.74	0.26
12/31/2015	Bank of Montreal	3.21%	13-Sep-18	104.4931	A+	5,224,653.95	0.66
12/31/2015	Bank of Montreal	2.84%	4-Jun-20	104.0455	A+	2,080,909.60	0.26
12/31/2015	Bank of Montreal	3.40%	23-Apr-21	106.4894	A+	10,648,942.10	1.34
12/31/2015	Bank of Nova Scotia	2.87%	4-Jun-21	103.5133	A+	4,140,530.84	0.52
12/31/2015	Bank of Nova Scotia	4.10%	8-Jun-17	104.0445	A+	5,202,225.20	0.66
12/31/2015	Bank of Nova Scotia	3.27%	11-Jan-21	105.5393	A+	5,276,965.45	0.66
12/31/2015	Bank of Nova Scotia	2.27%	13-Jan-20	101.5670	A+	7,109,687.83	0.90
12/31/2015	Canadian Imperial Bank of Commerce	2.35%	18-Oct-17	101.8314	A+	9,266,653.03	1.17
12/31/2015	Canadian Imperial Bank of Commerce	3.95%	14-Jul-17	104.0944	A+	16,238,727.96	2.05
12/31/2015	Canadian Imperial Bank of Commerce	2.65%	8-Nov-16	101.3212	A+	7,092,482.39	0.89
12/31/2015	Canadian Imperial Bank of Commerce	3.40%	14-Jan-16	100.0412	A+	9,503,914.57	1.20
12/31/2015	Royal Bank of Canada	2.26%	12-Mar-18	101.8000	AA-	4,071,998.56	0.51
12/31/2015	Royal Bank of Canada	3.66%	25-Jan-17	102.6323	AA-	10,263,255.00	1.29
12/31/2015	Royal Bank of Canada	2.77%	11-Dec-18	103.3975	AA-	10,339,751.50	1.30
12/31/2015	Royal Bank of Canada	2.89%	11-Oct-18	103.6479	AA-	5,182,396.05	0.65
12/31/2015	Royal Bank of Canada	Floating	18-Feb-20	99.0393	AA-	5,942,358.00	0.75
12/31/2015	Royal Bank of Canada	Floating	5-Oct-17	100.2500	AA-	1,002,500.00	0.13
12/31/2015	Royal Bank of Canada	4.93%	16-Jul-25	118.2645	AA-	5,913,224.20	0.75
12/31/2015	Toronto Dominion Bank	3.23%	24-Jul-24	104.4271	AA-	6,265,624.32	0.79

12/31/2015	Toronto Dominion Bank	2.45%	2-Apr-19	102.6006	AA-	7,182,039.48	0.91
12/31/2015	Toronto Dominion Bank	2.56%	24-Jun-20	102.9588	AA-	9,080,964.22	1.14
12/31/2015	Toronto Dominion Bank	2.43%	15-Aug-17	101.9522	AA-	24,386,955.22	3.07
<b>Equivalents</b>							
12/31/2015	Meridian Credit Union GIC	1.65%	15-Mar-16	100.0000		10,000,000.00	1.26
<b>Equity Funds</b>							
12/31/2015	One Equity Portfolio					5,315,398.22	0.67
					Net Accruals	4,137,818.85	0.52
<b>Total Fund</b>						<b>793,587,215.05</b>	<b>100.0</b>

### City of Hamilton Future Fund

Below are the Hamilton Future Fund securities and credit ratings as at December 31, 2015. In addition to the securities below, Hamilton Utilities Corporation common shares worth \$223,996,000 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	
						(\$)	(%)
<b>Provincial and Provincial Guarantee Bonds</b>							
12/31/2015	Province of British Columbia	2.70%	18-Dec-22	105.9197	AAA	4,554,545.60	15.71
12/31/2015	Province of New Brunswick	3.10%	30-Nov-22	103.9740	A+	2,079,480.00	7.17
12/31/2015	Province of Nova Scotia	2.15%	1-Jun-25	97.5029	AA-	1,950,058.18	6.73
12/31/2015	Province of Ontario	3.15%	2-Jun-22	108.1715	A+	1,081,714.84	3.73
12/31/2015	Province of Ontario	2.85%	2-Jun-23	105.8698	A+	4,234,792.96	14.81
12/31/2015	Financement Quebec	2.45%	1-Dec-19	104.5105	A+	3,657,868.17	12.62
12/31/2015	Quebec Mtn Ser	Floating	19-Dec-18	100.0790	A+	500,395.00	1.73
<b>Municipal Bonds</b>							
12/31/2015	City of Montreal	5.00%	1-Dec-18	110.3697	AA-	1,103,697.19	3.81
12/31/2015	City of Montreal	3.00%	1-Sep-25	101.5847	AA-	126,980.92	0.44
<b>Corporate Bonds</b>							
12/31/2015	Bank of Montreal	5.45%	17-Jul-17	106.3594	A+	2,658,984.70	9.17
12/31/2015	Bank of Nova Scotia	2.27%	13-Jan-20	101.5670	A+	507,834.85	1.75
12/31/2015	Canadian Imperial Bank of Commerce	2.65%	8-Nov-16	101.3212	A+	2,533,029.43	8.74
12/31/2015	Royal Bank of Canada	2.26%	12-Mar-18	101.8000	AA-	1,017,999.64	3.51
12/31/2015	Toronto Dominion Bank	2.95%	2-Aug-16	101.1241	AA-	2,528,101.88	8.72
<b>Equivalents</b>							
12/31/2015	Classified STIF			10.0000		300,951.06	1.04
					Net Accruals	153,879.43	0.53
<b>Total Fund</b>						<b>28,990,313.85</b>	<b>100.00</b>

<b>Restrictions</b>		
<b>Constraints</b>		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 most 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
<hr/>		
<b>Permitted ranges</b>	<b>(%)</b>	
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
Banks and Credit Unions in aggregate	0-50	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, 2015 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. 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. An 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

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Activity every month consists of the receipt of new monies, disbursements and rebalancing.

There were approximately net cash outflows of \$50.4 million with approximately \$93.0 million of new monies and approximately \$143.4 million of disbursements in the City of Hamilton Reserve Fund during 2015. There were approximately net cash outflows of \$13.2 million with approximately \$7.4 million of new monies and approximately \$20.6 million of capital disbursements in the Hamilton Future Fund.

In terms of transactions, there were approximately \$99.8 million of purchases (29 transactions) and \$127.0 million of sales (19 transactions) for total net sales of approximately \$27.2 million in the City of Hamilton Reserve Fund during 2015. As well, there were approximately \$41.4 million of purchases (75 transactions) and \$53.6 million of sales (30 transactions) for total net sales of \$12.2 million in the Hamilton Future Fund during 2015. Many of the transactions for the Future Fund were related to the purchase and sale of STIF.

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 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, 1<sup>st</sup> Floor  
Hamilton, Ontario  
L8P 4Y5

## Certificate by Chief Investments Officer

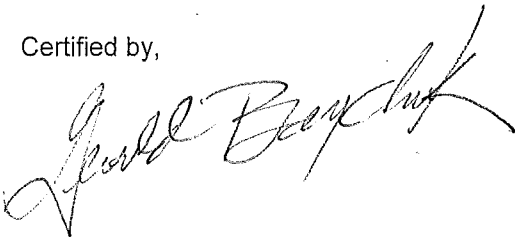
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This Certificate by Chief Investments Officer applies to the City of Hamilton Reserve Fund and Hamilton Future Fund ("the Funds").

The undersigned hereby confirms that throughout the reporting period of 2015.

1. The management of the Funds was in accordance with all the terms, conditions and guidelines stipulated in the SIP&P in effect during 2015.
2. The Funds were managed in compliance with the Municipal Act, Eligible Investments, Regulation 438/97.
3. The Chief Investments Officer, who manages 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 Chief Investments Officer 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