

City of Hamilton—Reserve Funds Treasurer's Investment Report 2016 Fiscal Year

March 2017

Contents

Introduction	3
Reserve Fund Performance and Future Fund Performance	4
Types of Securities	6
Portfolio Securities as at December 31, 2016	8
Transactions	14
Certificate by Chief Investments Officer	15

Introduction

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 of the City of Hamilton ("City 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 2016; 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

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 +/- 0.10% 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 2016, and the one-, two-, three- and four-year periods ending December 31, 2016 are as follows:

City of Hamilton Reserve Fund—Performance %

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	One Year	Two Years (annualized)	Three Years (annualized)	Four Years (annualized)
RBC	1.01	1.63	0.71	-1.84	1.49	2.52	3.80	2.65
Aon Hewitt	<u>1.01</u>	<u>1.62</u>	<u>0.70</u>	<u>-1.85</u>	<u>1.46</u>	<u>2.51</u>	<u>3.78</u>	<u>2.63</u>
Difference	0.00	0.01	0.01	0.01	0.03	0.01	0.02	0.02
Benchmark	0.58	1.03	0.47	-1.53	0.52	1.62	2.51	1.99
Value Added*	0.43	0.60	0.24	-0.31	0.97	0.90	1.29	0.66

**Based on returns calculated by RBC*

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 1.49% outperformed the benchmark return of 0.52% by 97 basis points. This outperformance was mainly due to the Fund's overweight position in longer-dated bonds relative to the benchmark.

Hamilton Future Fund—Performance %

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	One Year	Two Years (annualized)	Three Years (annualized)	Four Years (annualized)
RBC	1.12	1.70	0.80	-1.98	1.61	2.09	2.81	2.09
Aon Hewitt	<u>1.18</u>	<u>1.69</u>	<u>0.80</u>	<u>-1.98</u>	<u>1.65</u>	<u>2.15</u>	<u>2.87</u>	<u>2.12</u>
Difference	-0.06	0.01	0.00	0.00	-0.04	-0.06	-0.06	-0.03
Benchmark	0.58	1.03	0.47	-1.53	0.52	1.62	2.51	1.99
Value Added*	0.54	0.67	0.33	-0.45	1.09	0.47	0.30	0.10

**Based on returns calculated by RBC*

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 1.61% outperformed the benchmark return by 109 basis points. This outperformance was mainly due to the Fund's overweight position in longer-dated bonds relative to the benchmark.

Types of Securities

The City is only allowed to invest in securities permitted under the Municipal Act as stipulated under Ontario 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. All investments on the Approved List meet the eligibility requirements as prescribed by Ontario Regulation 438/97. 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
 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

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

Banks in Canada
 Credit Union with Guarantee

Asset Backed Securities (ABS)

Asset Backed Securities
 Asset Backed Commercial Paper (ABCP)

Negotiable Promissory Notes or Commercial Paper (other than ABS)

Forward Rate Agreements

ONE Funds (One Investment Program)**

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)

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 2016 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 2016 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 Investment Program¹

Equity Portfolio
 Universe Corporate Bond 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 2016 were all part of the Approved List.

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

Portfolio Securities as at December 31, 2016

City of Hamilton Reserve Fund

Below are The City of Hamilton Reserve Fund securities and credit ratings as at December 31, 2016. As shown in the list below, the Reserve Fund also held equity and fixed income investments through the One Investment Program (ONE Funds). The City's investment in the One Investment Program Equity Portfolio had a market value of \$22,134,816 and book value of \$19,176,601; the City's investment in the One Investment Program Universe Corporate Bond Portfolio had a market value of \$4,880,330 and book value of \$5,029,878.

As of December 31, 2016, City of Hamilton Reserve Fund held \$10.7 million or 1.2% of the Fund in City of Hamilton securities. Over the last year, the market value of City of Hamilton securities decreased by \$1.9 million from \$12.6 million as of December 31, 2015. The decrease was primarily due to the maturity of the City of Hamilton security (City of Hamilton 6.75% 19July2016) on July 19, 2016 with par value of \$1,603,000. The security was originally purchased on January 11, 2002 at a cost of \$1,726,751.60. The remainder of the decrease in value of the City of Hamilton securities was due to market fluctuation. Other than this referenced City of Hamilton security, 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 (\$)	(%)
Federal and Federal Guarantee Bonds							
31-Dec-16	Government of Canada	2.75%	1-Jun-22	107.7927	AAA	10,779,267.70	1.22%
31-Dec-16	Canada Housing Trust	2.65%	15-Mar-22	105.2546	AAA	23,156,012.00	2.61%
31-Dec-16	Canada Housing Trust	2.55%	15-Mar-25	103.7943	AAA	10,379,428.20	1.17%
31-Dec-16	Canada Housing Trust	1.90%	15-Sep-26	97.1930	AAA	14,578,947.00	1.64%
Provincial and Provincial Guarantee Bonds							
31-Dec-16	Financement Quebec	3.50%	1-Dec-17	102.4813	A+	5,124,062.65	0.58%
31-Dec-16	Financement Quebec	2.45%	1-Dec-19	103.2827	A+	5,164,136.65	0.58%
31-Dec-16	Province of Alberta	2.35%	1-Jun-25	99.4025	AA	7,455,185.40	0.84%
31-Dec-16	Province of Alberta	2.90%	20-Sep-29	99.3844	AA	14,410,731.33	1.63%
31-Dec-16	Province of Alberta	2.55%	15-Dec-22	103.2555	AA	20,651,097.00	2.33%
31-Dec-16	Province of Alberta	2.20%	1-Jun-26	97.1391	AA	5,828,345.22	0.66%
31-Dec-16	Province of British Columbia (BC)	2.70%	18-Dec-22	104.7740	AAA	8,381,920.24	0.95%
31-Dec-16	Province of British Columbia	3.70%	18-Dec-20	108.6532	AAA	10,865,316.30	1.23%
31-Dec-16	Province of British Columbia	3.25%	18-Dec-21	107.6808	AAA	23,689,777.76	2.67%
31-Dec-16	Province of British Columbia	2.25%	1-Mar-19	102.5995	AAA	4,103,981.44	0.46%
31-Dec-16	Province of British Columbia	2.70%	18-Dec-20	104.7250	AAA	4,189,000.00	0.47%
31-Dec-16	Province of British Columbia	2.30%	18-Jun-26	99.3744	AAA	9,937,442.10	1.12%
31-Dec-16	Province of Manitoba	2.45%	2-Jun-25	99.9856	AA-	11,498,347.34	1.30%
31-Dec-16	Province of Manitoba	1.85%	1-Jun-17	100.5051	AA-	15,075,758.25	1.70%
31-Dec-16	Province of Manitoba	2.55%	2-Jun-26	99.8423	AA-	14,477,131.04	1.63%
31-Dec-16	Province of Manitoba	3.85%	1-Dec-21	109.8693	AA-	21,973,867.80	2.48%
31-Dec-16	Province of Manitoba	2.55%	2-Jun-23	102.6622	AA-	11,806,155.19	1.33%
31-Dec-16	Province of New Brunswick (NB)	2.60%	14-Aug-26	99.4034	A+	4,970,168.65	0.56%
31-Dec-16	Province of New Brunswick	3.35%	3-Dec-21	107.2810	A+	5,364,050.15	0.61%
31-Dec-16	Province of New Brunswick	2.85%	2-Jun-23	104.1366	A+	13,719,995.47	1.55%
31-Dec-16	NB Municipal Finance Corporation	2.90%	14-Jun-21	103.3320	A+	3,490,554.96	0.39%
31-Dec-16	NB Municipal Finance Corporation	3.05%	20-Nov-19	102.7320	A+	3,307,970.40	0.37%
31-Dec-16	NB Municipal Finance Corporation	3.05%	20-Nov-20	103.8200	A+	3,437,480.20	0.39%
31-Dec-16	NB Municipal Finance Corporation	3.30%	15-May-23	104.4960	A+	3,613,471.68	0.41%
31-Dec-16	NB Municipal Finance Corporation	2.95%	8-Dec-23	102.2320	A+	4,711,872.88	0.53%

31-Dec-16 Province of Nova Scotia	2.15%	1-Jun-25	97.3063	A+	2,919,189.87	0.33%
31-Dec-16 Province of Nova Scotia	2.10%	1-Jun-27	94.2067	A+	6,594,467.46	0.74%
31-Dec-16 Province of Ontario	3.15%	2-Jun-22	106.6995	A+	44,813,806.80	5.06%
31-Dec-16 Province of Ontario	2.85%	2-Jun-23	104.7813	A+	10,478,132.20	1.18%
31-Dec-16 Province of Ontario	2.10%	8-Sep-18	101.8695	A+	5,093,475.30	0.57%
31-Dec-16 Province of Ontario	2.10%	8-Sep-19	102.3017	A+	25,575,427.25	2.89%
31-Dec-16 Province of Prince Edward Island	3.70%	2-Sep-20	107.1697	Aa2*	4,661,883.34	0.53%
31-Dec-16 Province of Quebec	3.50%	1-Dec-22	108.7345	A+	14,135,488.12	1.59%
31-Dec-16 Province of Quebec	3.00%	1-Sep-23	105.6796	A+	2,113,592.00	0.24%
31-Dec-16 Province of Quebec	3.75%	1-Sep-24	110.4132	A+	5,520,658.05	0.62%
31-Dec-16 Province of Quebec	2.50%	1-Sep-26	99.9062	A+	19,981,235.20	2.25%
31-Dec-16 Province of Newfoundland	2.30%	2-Jun-25	96.1136	Aa3*	4,805,680.20	0.54%
31-Dec-16 Province of Newfoundland	3.30%	17-Oct-46	91.2023	Aa3*	2,736,069.81	0.31%
31-Dec-16 Province of Newfoundland	3.00%	2-Jun-26	100.4153	Aa3*	10,041,532.00	1.13%
31-Dec-16 Province of Newfoundland	1.95%	2-Jun-22	99.3532	Aa3*	2,980,597.17	0.34%
31-Dec-16 Province of Saskatchewan	3.20%	3-Jun-24	106.3032	AA+	14,882,454.72	1.68%
31-Dec-16 Province of Saskatchewan	1.95%	1-Mar-19	101.8197	AA+	2,036,393.76	0.23%
31-Dec-16 Province of Saskatchewan	2.55%	2-Jun-26	99.9589	AA+	2,748,869.64	0.31%

Municipal Bonds

31-Dec-16 Municipal Finance Authority of BC	4.15%	1-Jun-21	109.9887	AAA	15,398,413.38	1.74%
31-Dec-16 Regional Municipality of Halton	3.30%	2-Jun-23	104.9570	AAA	6,664,769.50	0.75%
31-Dec-16 City of Hamilton	4.95%	31-Mar-18	104.7760	AA	4,578,711.20	0.52%
31-Dec-16 City of Hamilton	4.65%	30-Nov-17	103.3030	AA	2,685,878.00	0.30%
31-Dec-16 City of Hamilton	5.05%	19-Jun-21	113.5340	AA	3,471,869.72	0.39%
31-Dec-16 City of London	2.40%	3-Sep-17	100.9070	Aaa*	4,837,481.58	0.55%
31-Dec-16 City of London	2.35%	9-May-19	101.6910	Aaa*	1,016,910.00	0.11%
31-Dec-16 City of London	2.10%	16-Mar-24	96.3400	Aaa*	963,400.00	0.11%
31-Dec-16 City of Montreal	3.00%	1-Sep-25	101.9744	AA-	402,798.75	0.05%
31-Dec-16 City of Montreal	3.50%	1-Sep-23	106.6303	AA-	8,210,531.25	0.93%
31-Dec-16 City of Montreal	2.75%	1-Sep-26	99.1757	AA-	3,967,029.28	0.45%
31-Dec-16 City of Ottawa	3.05%	19-Oct-19	103.6240	AA	2,590,600.00	0.29%
31-Dec-16 City of Ottawa	2.30%	22-Oct-17	100.8920	AA	4,796,405.68	0.54%
31-Dec-16 City of Ottawa	3.05%	23-Apr-46	90.1326	AA	3,154,642.30	0.36%
31-Dec-16 City of Ottawa	2.00%	23-Apr-23	97.0380	AA	5,009,101.56	0.57%
31-Dec-16 Regional Municipality of Peel	3.50%	1-Dec-21	107.3419	AAA	12,881,023.44	1.45%
31-Dec-16 Regional Municipality of Peel	2.30%	2-Nov-26	96.0027	AAA	5,280,147.62	0.60%
31-Dec-16 City of Peterborough	4.20%	5-Mar-18	103.6630	AA-	2,369,736.18	0.27%
31-Dec-16 City of Peterborough	4.45%	5-Mar-19	106.6150	AA-	2,437,218.90	0.27%
31-Dec-16 Quebec City	2.30%	4-Dec-18	101.3750	Aa2*	2,027,500.00	0.23%
31-Dec-16 Quebec City	3.15%	8-Dec-25	100.5984	Aa2*	2,514,959.55	0.28%
31-Dec-16 City of Toronto	4.95%	27-Jun-18	105.6710	AA	2,641,774.78	0.30%
31-Dec-16 City of Toronto	3.50%	6-Dec-21	107.2873	AA	13,947,344.19	1.57%
31-Dec-16 City of Toronto	3.50%	2-Jun-36	99.3266	AA	2,979,797.91	0.34%
31-Dec-16 City of Vancouver	3.45%	2-Dec-21	107.0645	AAA	8,565,156.64	0.97%
31-Dec-16 City of Vancouver	3.75%	24-Oct-23	108.8413	AAA	4,353,652.72	0.49%
31-Dec-16 Regional Municipality of Waterloo	3.55%	30-Nov-18	104.2740	Aaa*	6,140,695.86	0.69%
31-Dec-16 Regional Municipality of Waterloo	3.00%	21-Nov-19	103.9377	Aaa*	4,571,177.89	0.52%
31-Dec-16 Regional Municipality of Waterloo	2.30%	24-Oct-17	101.0920	Aaa*	5,310,362.76	0.60%
31-Dec-16 Regional Municipality of Waterloo	2.75%	6-Nov-22	102.9400	Aaa*	5,246,851.80	0.59%
31-Dec-16 City of Winnipeg	6.25%	17-Nov-17	104.5676	AA-	522,837.80	0.06%
31-Dec-16 City of Winnipeg	4.10%	1-Jun-45	106.7619	AA-	3,416,381.38	0.39%
31-Dec-16 City of Saskatoon	4.40%	27-Jun-17	101.6030	AAA	962,180.41	0.11%
31-Dec-16 City of Saskatoon	4.45%	27-Jun-18	104.6410	AAA	1,033,853.08	0.12%
31-Dec-16 City of Saskatoon	4.55%	27-Jun-19	107.0380	AAA	1,103,561.78	0.12%

Corporate Bonds

31-Dec-16 Bank of Montreal	5.45%	17-Jul-17	102.3687	A+	11,260,560.85	1.27%
31-Dec-16 Bank of Montreal	2.24%	11-Dec-17	101.0730	A+	2,021,460.28	0.23%
31-Dec-16 Bank of Montreal	4.61%	10-Sep-25	115.6620	A+	4,048,168.99	0.46%
31-Dec-16 Bank of Montreal	2.12%	16-Mar-22	100.0073	A+	2,000,146.10	0.23%
31-Dec-16 Bank of Montreal	3.21%	13-Sep-18	103.1096	A+	5,155,477.70	0.58%
31-Dec-16 Bank of Montreal	3.40%	23-Apr-21	106.0332	A+	10,603,317.90	1.20%
31-Dec-16 Bank of Montreal	2.84%	4-Jun-20	103.6927	A+	2,073,853.02	0.23%
31-Dec-16 Bank of Nova Scotia	3.27%	11-Jan-21	105.3505	A+	5,267,522.85	0.59%
31-Dec-16 Bank of Nova Scotia	2.87%	4-Jun-21	103.7741	A+	4,150,965.20	0.47%
31-Dec-16 Bank of Nova Scotia	2.27%	13-Jan-20	101.8448	A+	7,129,133.34	0.80%
31-Dec-16 Bank of Nova Scotia	4.10%	8-Jun-17	101.3352	A+	5,066,758.15	0.57%
31-Dec-16 Bank of Nova Scotia	2.09%	9-Sep-20	101.0279	A+	6,061,675.20	0.68%
31-Dec-16 Canadian Imperial Bank	3.95%	14-Jul-17	101.5551	A+	15,842,592.17	1.79%
31-Dec-16 Canadian Imperial Bank	2.35%	18-Oct-17	100.9925	A+	9,190,314.41	1.04%
31-Dec-16 Royal Bank of Canada	Floating	5-Oct-17	100.6600	AA-	1,006,600.00	0.11%
31-Dec-16 Royal Bank of Canada	3.66%	25-Jan-17	100.1407	AA-	10,014,068.40	1.13%
31-Dec-16 Royal Bank of Canada	4.93%	16-Jul-25	117.9027	AA-	5,895,133.20	0.67%
31-Dec-16 Royal Bank of Canada	2.26%	12-Mar-18	101.2322	AA-	4,049,288.80	0.46%
31-Dec-16 Royal Bank of Canada	2.89%	11-Oct-18	102.6320	AA-	5,131,598.00	0.58%
31-Dec-16 Royal Bank of Canada	2.77%	11-Dec-18	102.5813	AA-	10,258,126.80	1.16%
31-Dec-16 Toronto Dominion Bank	Floating	18-Feb-20	100.2693	AA-	6,016,158.00	0.68%
31-Dec-16 Toronto Dominion Bank	2.05%	8-Mar-21	100.5887	AA-	6,538,265.50	0.74%
31-Dec-16 Toronto Dominion Bank	2.45%	2-Apr-19	102.1742	AA-	7,152,191.27	0.81%
31-Dec-16 Toronto Dominion Bank	2.56%	24-Jun-20	102.7941	AA-	9,066,442.44	1.02%
31-Dec-16 Toronto Dominion Bank	3.23%	24-Jul-24	105.1320	AA-	11,564,515.60	1.30%
31-Dec-16 Toronto Dominion Bank	2.43%	15-Aug-17	100.8573	AA-	24,125,071.42	2.72%

Equivalents

31-Dec-16 First Ontario Credit Union	2.18%	1-Dec-17	100.0000		10,000,000.00	1.13%
31-Dec-16 Meridian Credit Union	1.70%	10-Mar-17	100.0000		10,000,000.00	1.13%
31-Dec-16 First Ontario Credit Union	1.75%	24-Feb-17	100.0000		10,000,000.00	1.13%

One Investment Program (ONE Funds)

31-Dec-16 Equity Portfolio					22,134,816.34	2.50%
31-Dec-16 Universe Corporate Bond Portfolio					4,880,329.73	0.55%
				Net Accruals	4,371,566.77	0.49%

Total Fund**886,391,303.21****100.00%****Ratings issued by Moody's*

City of Hamilton Future Fund

Below are the Hamilton Future Fund securities and credit ratings as at December 31, 2016. 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 (\$)	Market Value (%)
Provincial and Provincial Guarantee Bonds							
31-Dec-16	Province of British Columbia	2.70%	18-Dec-22	104.7740	AAA	4,505,282.13	12.61%
31-Dec-16	Province of New Brunswick	3.10%	30-Nov-22	103.6630	A+	2,073,260.00	5.80%
31-Dec-16	Province of Nova Scotia	2.15%	1-Jun-25	97.3063	A+	1,946,126.58	5.45%
31-Dec-16	Province of Ontario	3.15%	2-Jun-22	106.6995	A+	1,066,995.40	2.99%
31-Dec-16	Province of Ontario	2.85%	2-Jun-23	104.7813	A+	4,191,252.88	11.73%
31-Dec-16	Financement Quebec	2.45%	1-Dec-19	103.2827	A+	3,614,895.66	10.12%
31-Dec-16	Province of Quebec	Floating	19-Dec-18	100.3780	A+	501,890.00	1.40%
31-Dec-16	Province of Newfoundland	3.30%	17-Oct-46	91.2023	Aa3*	912,023.27	2.55%
31-Dec-16	Province of Alberta	2.35%	1-Jun-25	99.4025	AA	1,988,049.44	5.57%
Municipal Bonds							
31-Dec-16	City of Montreal	5.00%	1-Dec-18	106.9059	AA-	1,069,059.32	2.99%
31-Dec-16	City of Montreal	3.00%	1-Sep-25	101.9744	AA-	127,467.96	0.36%
31-Dec-16	City of Toronto	2.40%	24-Jun-26	96.7788	AA	1,742,018.94	4.88%
31-Dec-16	City of London	2.55%	7-Mar-25	98.0040	Aaa*	294,012.00	0.82%
Corporate Bonds							
31-Dec-16	Bank of Montreal	5.45%	17-Jul-17	102.3687	A+	2,559,218.38	7.16%
31-Dec-16	Bank of Nova Scotia	2.27%	13-Jan-20	101.8448	A+	509,223.81	1.43%
31-Dec-16	Royal Bank of Canada	2.26%	12-Mar-18	101.2322	AA-	1,012,322.20	2.83%
31-Dec-16	Bank of Nova Scotia	2.09%	9-Sep-20	101.0279	A+	2,525,698.00	7.07%
31-Dec-16	Royal Bank of Canada	1.97%	2-Mar-22	99.0742	AA-	1,981,484.72	5.55%
Equivalents							
31-Dec-16	Classified STIF			100.0000		2,945,997.50	8.25%
				Net Accruals		157,017.37	0.44%
Total Fund						35,723,295.56	100.00%

*Ratings issued by Moody's

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 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
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
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, 2016 on a combined basis, the Funds were being managed in a manner that is consistent with the minimum quality requirements, maximum quantity restrictions and all other restrictions imposed on the Funds. 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

Activity every month consists of the receipt of investment income, new monies (proceeds from bond maturities and contributions from the City to the Funds), disbursements and rebalancing.

There were approximately net cash inflows of \$59.5 million (excluding investment income) with approximately \$177.7 million of new monies and approximately \$118.2 million of disbursements in the City of Hamilton Reserve Fund during 2016. Between October 17, 2016 and December 31, 2016, new monies include some of the proceeds of the \$128,415,000 debenture that was issued by the City on October 17, 2016. There were approximately net cash inflows of \$6.2 million (excluding investment income) with approximately \$7.8 million of new monies and approximately \$1.6 million of capital disbursements in the Hamilton Future Fund.

In terms of transactions, there were approximately \$272.0 million of purchases (76 transactions) and \$189.3 million of dispositions (28 maturities and 4 sales) for total net purchases of approximately \$82.7 million (\$59.5 million funded through net cash inflows outlined above, and \$23.2 million funded through net investment income) in the City of Hamilton Reserve Fund during 2016. As well, there were approximately \$22.4 million of purchases (61 transactions) and \$15.3 million of dispositions (25 sales and 2 maturities) for total net purchases of \$7.1 million (\$6.2 million funded through net cash inflows outlined above, and \$0.9 million funded through net investment income) in the Hamilton Future Fund during 2016. Many of the transactions for the Future Fund were related to the purchase and sale of the 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 have 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

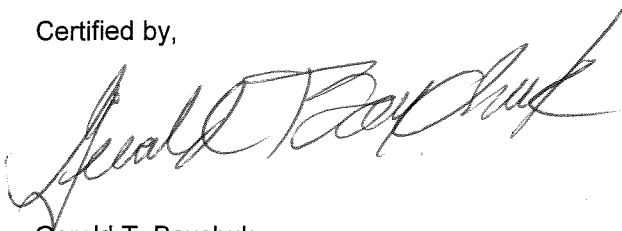
Certificate by Chief Investments Officer

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 2016.

1. The management of the Funds was in accordance with all the terms, conditions and guidelines stipulated in the SIP&P in effect during 2016.
2. The Funds were managed in compliance with the Municipal Act, Eligible Investments, Ontario 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