

*The City of Hamilton Master Trust Period Ending 31 December 2019*

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## Performance Review and Investment Manager Evaluation

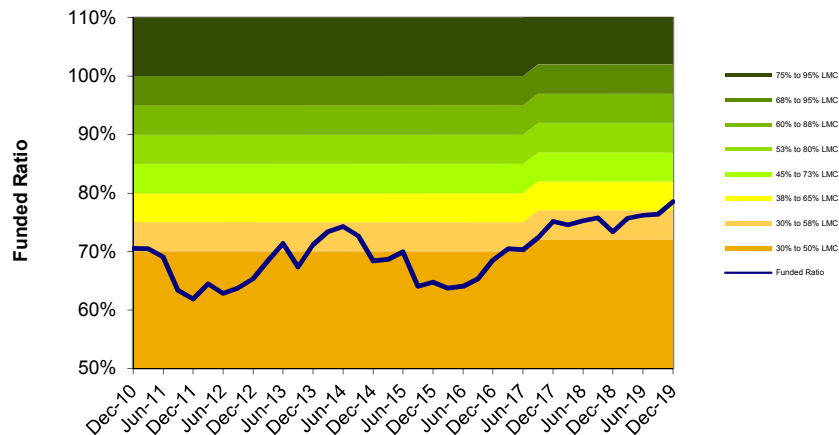
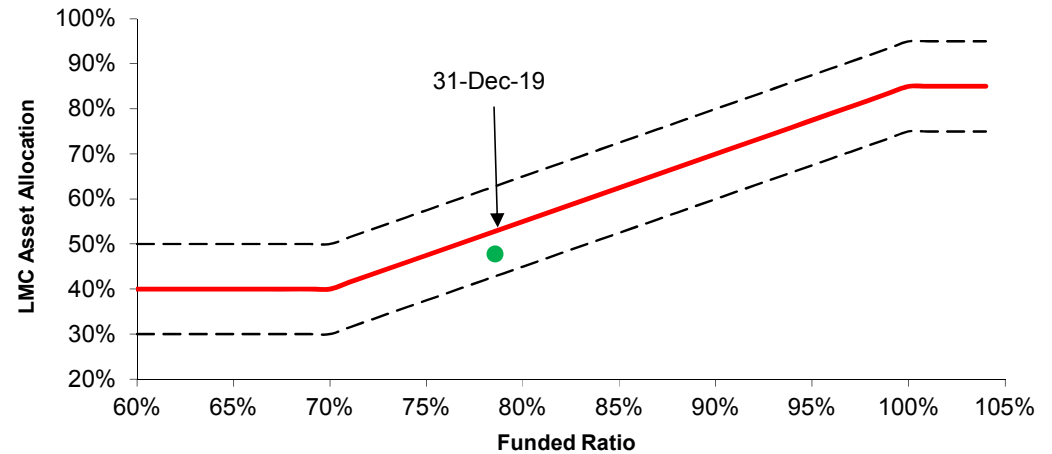
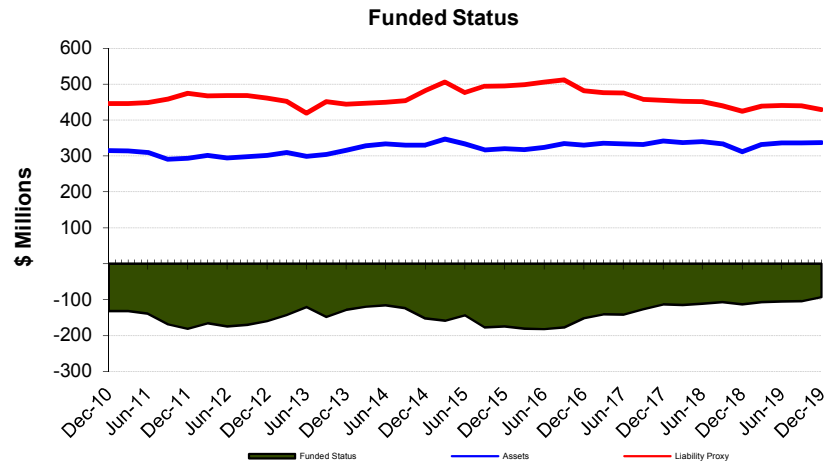
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## Table Of Contents

1	Executive Summary	Page 1
2	Capital Markets Performance	Page 6
3	Total Fund Analysis	Page 9
4	Appendix A - Plan Information	Page 14
5	Appendix B - Manager Updates	Page 16
6	Appendix C - Disclosure	Page 20

# Executive Summary

## Quarterly Performance Report for the City of Hamilton Funded Status and Glide Path Information for December 31, 2019



### Snapshot (Wind-Up)

	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Market value of assets (\$ Millions)	\$332.4	\$336.4	\$336.3	\$337.5
Liability proxy (\$ Millions)	\$439.0	\$441.3	\$440.3	\$429.6
Funded status (\$ Millions)	(\$106.6)	(\$104.9)	(\$104.0)	(\$92.1)
Funded ratio	75.7%	76.2%	76.4%	78.6%
Current LMC Asset Allocation	46.5%	48.0%	48.9%	47.8%

### Rebalancing

- The rebalancing strategy for this plan requires that assets be rebalanced to the target allocation (indicated by the red line) whenever the LMC Asset Allocation falls outside of the range deemed acceptable for a given funded ratio (indicated by the dashed lines).
- The LMC Asset Allocation as of December 31, 2019 is within the range determined acceptable for the current funded ratio (78.6%), however the the LMC allocation consists of Long Bonds and Real Return Bonds, and due to the recent change in funded status the Real Return Bonds are out of bounds and therefore rebalancing is required.

Executive Summary

Trailing Period Performance

As of 31 December 2019

	Allocation		Performance (%)						
	Market Value (\$000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Fund	337,452	100.0	1.5 (86)	13.8 (74)	4.4 (90)	6.1 (73)	6.9 (54)	6.0 (84)	7.5 (77)
Benchmark			1.4 (86)	16.4 (25)	6.5 (23)	7.2 (29)	7.5 (30)	6.8 (42)	7.6 (71)
Value Added			0.1	-2.6	-2.1	-1.1	-0.6	-0.8	-0.1
Canadian Equity	100,788	29.9	3.0 (49)	16.7 (91)	2.5 (84)	5.7 (68)	10.0 (43)	6.8 (45)	9.1 (32)
Guardian (including cash)	44,837	13.3	1.4 (94)	18.5 (82)	5.4 (58)	6.9 (42)	9.6 (55)	6.7 (45)	7.9 (61)
S&P/TSX Composite			3.2 (40)	22.9 (31)	5.8 (40)	6.9 (39)	10.3 (30)	6.3 (59)	6.9 (80)
Value Added			-1.8	-4.4	-0.4	0.0	-0.7	0.4	1.0
Letko (including cash)	55,951	16.6	4.4 (8)	15.6 (92)	0.4 (93)	4.7 (83)	10.1 (41)	6.7 (49)	9.6 (17)
S&P/TSX Composite			3.2 (40)	22.9 (31)	5.8 (40)	6.9 (39)	10.3 (30)	6.3 (59)	6.9 (80)
Value Added			1.2	-7.3	-5.4	-2.2	-0.2	0.4	2.7
Global Equities	73,716	21.8	8.1 (21)	18.3 (62)	6.6 (70)	9.6 (65)	8.3 (68)	8.8 (86)	9.8 (90)
Aberdeen	14,934	4.4	6.9 (41)	18.7 (61)	7.4 (63)	10.5 (55)	9.2 (49)	8.4 (89)	-
MSCI World (Net)			6.4 (52)	21.4 (42)	9.8 (39)	11.3 (47)	9.4 (45)	11.2 (50)	11.8 (63)
Value Added			0.5	-2.7	-2.4	-0.8	-0.2	-2.8	-
GMO	58,781	17.4	8.4 (18)	19.5 (57)	6.4 (73)	10.1 (60)	8.6 (61)	9.5 (78)	-
MSCI World (Net)			6.4 (52)	21.4 (42)	9.8 (39)	11.3 (47)	9.4 (45)	11.2 (50)	11.8 (63)
Value Added			2.0	-1.9	-3.4	-1.2	-0.8	-1.7	-

\*GMO returns are reported net-of-fees.  
Parentheses contain percentile rankings.

Executive Summary

Trailing Period Performance

As of 31 December 2019

	Allocation		Performance (%)						
	Market Value (\$000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Canadian Fixed Income	161,260	47.8	-2.0	10.8	5.1	4.6	4.2	4.0	4.8
TDAM Long Bonds	85,132	25.2	-1.9	13.0	6.2	6.5	5.5	5.1	-
FTSE Canada Long Term Overall Bond			-1.9	12.7	6.3	6.6	5.5	5.2	7.1
Value Added			0.0	0.3	-0.1	-0.1	0.0	-0.1	-
TDAM Real Return Bonds	76,074	22.5	-2.1	8.4	4.0	2.8	2.9	2.8	-
FTSE Canada Real Return Bond			-2.0	8.0	3.9	2.8	2.8	2.8	4.3
Value Added			-0.1	0.4	0.1	0.0	0.1	0.0	-
TDAM Cash	54	0.0	-	-	-	-	-	-	-
Operating Account	1,688	0.5							

\*GMO returns are reported net-of-fees.  
Parentheses contain percentile rankings.

Executive Summary

Trailing Period Performance

As of 31 December 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Fund	13.8 (74)	-4.2 (85)	9.5 (35)	9.3 (22)	2.6 (93)	12.0 (28)	13.0 (91)	10.5 (24)	0.5 (39)	9.6 (70)	14.3 (83)
Benchmark	16.4 (25)	-2.6 (56)	8.6 (57)	8.4 (33)	4.3 (81)	13.9 (1)	9.7 (97)	8.4 (71)	0.4 (42)	10.3 (54)	16.7 (53)
Value Added	-2.6	-1.6	0.9	0.9	-1.7	-1.9	3.3	2.1	0.1	-0.7	-2.4
Canadian Equities	16.7 (91)	-10.0 (71)	12.3 (8)	24.1 (18)	-5.3 (49)	11.9 (41)	25.3 (16)	17.1 (2)	-9.1 (51)	14.8 (78)	32.0 (61)
Guardian (including cash)	18.5 (82)	-6.3 (12)	9.9 (31)	18.3 (59)	-4.0 (42)	13.0 (23)	13.8 (92)	13.7 (15)	-8.3 (46)	15.3 (72)	27.5 (88)
S&P/TSX Composite	22.9 (31)	-8.9 (53)	9.1 (52)	21.1 (36)	-8.3 (82)	10.6 (57)	13.0 (95)	7.2 (81)	-8.7 (49)	17.6 (43)	35.1 (47)
Value Added	-4.4	2.6	0.8	-2.8	4.3	2.4	0.8	6.5	0.4	-2.3	-7.6
Letko (including cash)	15.6 (92)	-12.7 (92)	13.8 (2)	28.1 (6)	-5.9 (55)	11.5 (45)	31.5 (3)	18.4 (1)	-9.1 (51)	14.3 (85)	32.8 (57)
S&P/TSX Composite	22.9 (31)	-8.9 (53)	9.1 (52)	21.1 (36)	-8.3 (82)	10.6 (57)	13.0 (95)	7.2 (81)	-8.7 (49)	17.6 (43)	35.1 (47)
Value Added	-7.3	-3.8	4.7	7.0	2.4	0.9	18.5	11.2	-0.4	-3.3	-2.3
Global Equities	18.3 (62)	-3.9 (71)	15.8 (52)	4.7 (35)	10.4 (92)	10.2 (82)	26.3 (92)	12.8 (69)	-0.1 (31)	6.6 (65)	1.5 (94)
Aberdeen	18.7 (61)	-2.8 (62)	17.1 (43)	5.4 (31)	5.3 (97)	10.5 (81)	21.3 (98)	14.0 (57)	2.0 (19)	-	-
MSCI World (Net)	21.4 (42)	-0.6 (41)	14.4 (64)	3.8 (44)	18.9 (54)	14.4 (45)	35.1 (54)	13.3 (64)	-3.2 (51)	5.9 (74)	10.6 (70)
Value Added	-2.7	-2.2	2.7	1.6	-13.6	-3.9	-13.8	0.7	5.2	-	-
Brandes	-	-1.4 (48)	9.3 (92)	4.6 (35)	16.3 (73)	15.1 (37)	41.0 (20)	10.9 (81)	-2.9 (48)	6.2 (70)	1.5 (94)
MSCI World (Net)	21.4 (42)	-0.6 (41)	14.4 (64)	3.8 (44)	18.9 (54)	14.4 (45)	35.1 (54)	13.3 (64)	-3.2 (51)	5.9 (74)	10.6 (70)
Value Added	-	-0.8	-5.1	0.8	-2.6	0.7	5.9	-2.4	0.3	0.3	-9.1
GMO	19.5 (57)	-5.3 (80)	18.1 (37)	4.2 (40)	12.9 (88)	8.1 (91)	29.1 (84)	12.5 (71)	0.9 (25)	-	-
MSCI World (Net)	21.4 (42)	-0.6 (41)	14.4 (64)	3.8 (44)	18.9 (54)	14.4 (45)	35.1 (54)	13.3 (64)	-3.2 (51)	5.9 (74)	10.6 (70)
Value Added	-1.9	-4.7	3.7	0.4	-6.0	-6.3	-6.0	-0.8	4.1	-	-
Canadian Fixed Income	10.8	-0.3	3.8	3.0	3.1	14.8	-7.4	5.5	9.5	7.1	7.7
TDAM Long Bonds	13.0 (39)	-0.2 (88)	7.0 (62)	2.8 (45)	3.4 (80)	16.8 (71)	-5.7 (55)	-	-	-	-
FTSE Canada Long Term Overall Bond	12.7 (62)	0.3 (45)	7.0 (61)	2.5 (80)	3.8 (48)	17.5 (31)	-6.2 (86)	5.2 (78)	18.1 (26)	12.5 (51)	5.5 (83)
Value Added	0.3	-0.5	0.0	0.3	-0.4	-0.7	0.5	-	-	-	-
TDAM Real Return Bonds	8.4	-0.3	0.6	3.1	2.6	13.0	-11.5	-	-	-	-
FTSE Canada Real Return Bond	8.0	0.0	0.7	2.9	2.8	13.2	-13.1	2.9	18.3	11.1	14.5
Value Added	0.4	-0.3	-0.1	0.2	-0.2	-0.2	1.6	-	-	-	-

Parentheses contain percentile rankings.

## Capital Markets Performance

## Capital Market Performance

## Major Capital Markets' Returns

As of 31 December 2019

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
<b>Equity</b>								
S&P/TSX Composite	3.2	22.9	22.9	5.8	6.9	10.3	6.3	6.9
S&P 500	6.9	25.0	25.0	14.1	14.0	12.5	14.3	16.0
S&P 500 (USD)	9.1	31.5	31.5	12.1	15.3	14.4	11.7	13.6
MSCI EAFE (Net)	6.0	16.0	16.0	4.3	8.3	5.5	8.1	7.8
MSCI World (Net)	6.4	21.4	21.4	9.8	11.3	9.4	11.2	11.8
MSCI ACWI (Net)	6.7	20.2	20.2	8.9	11.2	9.4	10.9	11.1
MSCI Emerging Markets (Net)	9.5	12.4	12.4	2.3	10.3	9.6	8.0	5.9
<b>Real Estate</b>								
MSCI/REALPAC Canada Annual Property	1.9	6.7	6.7	7.2	7.1	6.9	7.1	9.2
MSCI/REALPAC Canada Quarterly Property Fund	2.9	9.0	9.0	8.7	8.4	7.9	7.5	9.0
<b>Fixed Income</b>								
FTSE Canada Universe Bond	-0.9	6.9	6.9	4.1	3.6	3.1	3.2	4.3
FTSE Canada Long Term Overall Bond	-1.9	12.7	12.7	6.3	6.6	5.5	5.2	7.1
FTSE Canada 91 Day TBill	0.4	1.6	1.6	1.5	1.2	1.0	0.9	0.9
<b>Consumer Price Index</b>								
Canadian CPI, unadjusted	0.1	2.2	2.2	2.1	2.0	1.9	1.8	1.7

## Canadian Equities

The S&P/TSX Composite Index returned +3.2% in the fourth quarter of 2019. Performance was mixed across sectors. Information Technology (+10.8%) was the best performing sector, followed by Materials (+7.8%) and Energy (+7.1%). Negative performing sectors included Health Care (-5.9%), Consumer Staples (-3.9%), and Real Estate (-2.4%). Growth stocks underperformed value stocks over the past quarter (+2.5% vs.+3.3% respectively). In the year, growth stocks outperformed value stocks (+22.3% vs.+21.6% respectively). The S&P/TSX Composite Index returned +22.9% in the year. The best performing sectors in the year were Information Technology (+64.9%), Utilities (+37.5%) and Industrials (+25.5%), while Health Care (-10.9%) was the worst performer.

## U.S. Equities

The S&P 500 Index returned +6.9% in the quarter in Canadian dollar terms. Performance was positive across most sectors. Healthcare (+12.0%) and Information Technology (+12.0%) were the best performing sectors while Real Estate (-2.6%) and Utilities (-1.3%) were the worst performing sectors. The S&P 500 Index returned +25.0% in the year in Canadian dollar terms. The best performing sectors in the year were Information Technology (+42.7%) and Communication Services (+26.0%) while Energy (+6.2%) was the worst performer.

## Non-North American Equities

The MSCI EAFE Index returned +6.0% in the quarter in Canadian dollar terms. Sector returns were mixed with the best performers being Information Technology (+10.3%) and Health Care (+10.1%) while the worst being Consumer Staples (-0.2%). In the year, the Index returned +16.0% in Canadian dollar terms. The best performing sector in 2019 was Information Technology (+30.7%) while the worst performer was Energy (+2.2%).

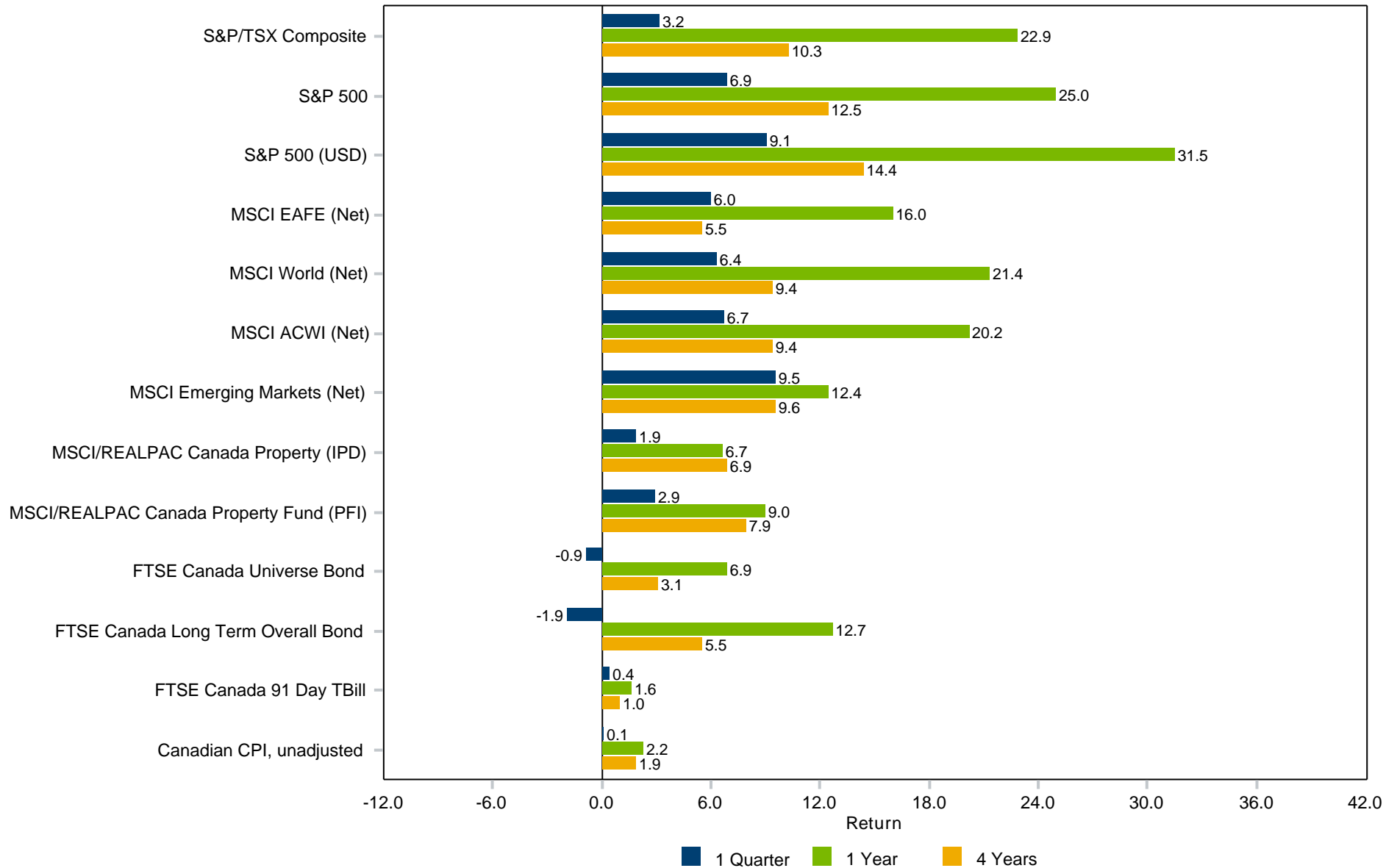
## Fixed Income

The Canadian bond market, as measured by the FTSE Canada Universe Bond Index, returned -0.9% over the last quarter. Bond market negative performance was led by Provincial bonds (-1.3%) which underperformed both Corporate bonds (+0.1%) and Federal bonds (-1.1%). From a term perspective, long duration bonds (-1.9%) underperformed both medium duration (-1.1%) and short duration (+0.1%) bonds in the quarter. In the year, the FTSE Canada Universe Bond Index returned +6.9%. Bond market performance in 2019 was led by Provincial bonds (+9.1%), outperforming both Corporate bonds (+8.1%) and Federal bonds (+3.7%) while from a term perspective, long duration bonds (+12.7%) outperformed both medium duration bonds (+5.8%) and short duration bonds (+3.1%).

Returns for periods greater than one year are annualized. Sector returns are sourced from MSCI.

## Comparative Performance

As of 31 December 2019



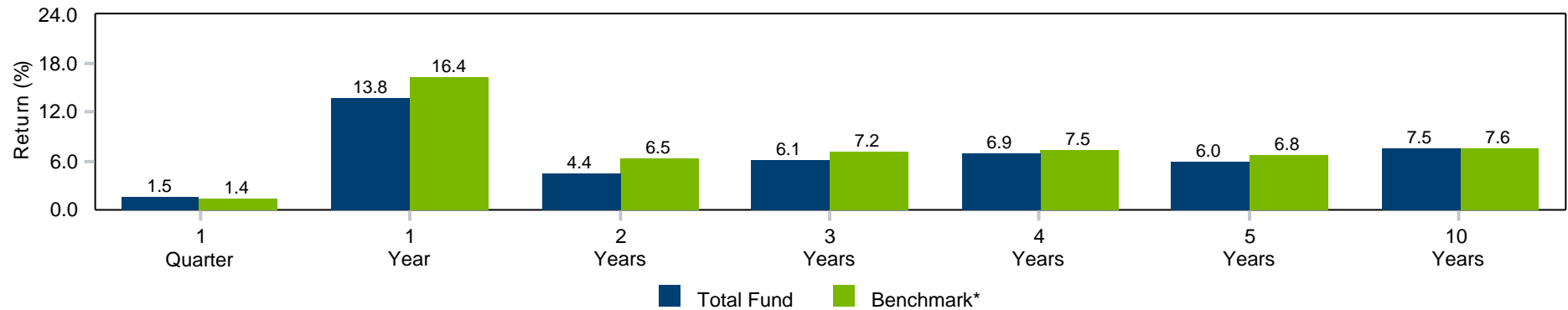
## Total Fund Analysis

Total Fund

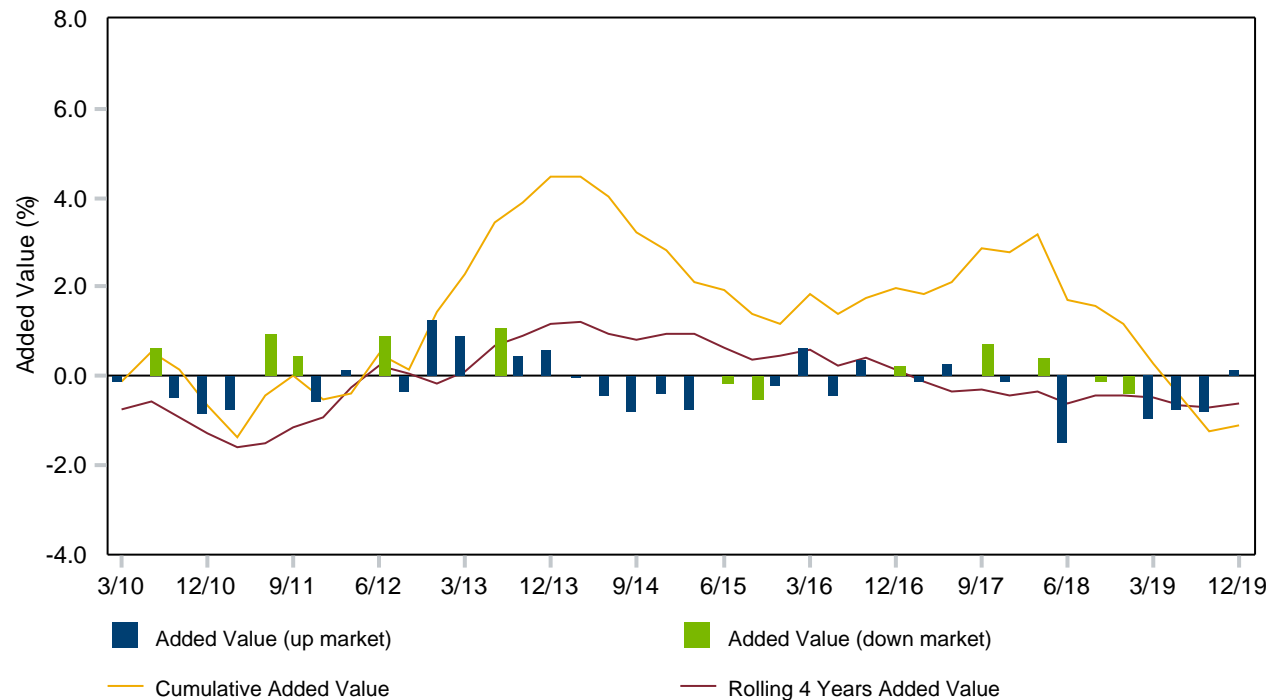
Total Fund Performance Summary

As of 31 December 2019

Return Summary



Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	28	94.4
Down Markets	12	82.2
Batting Average		
Up Markets	28	32.1
Down Markets	12	66.7
Overall	40	42.5

\* See Appendix A for benchmark components.

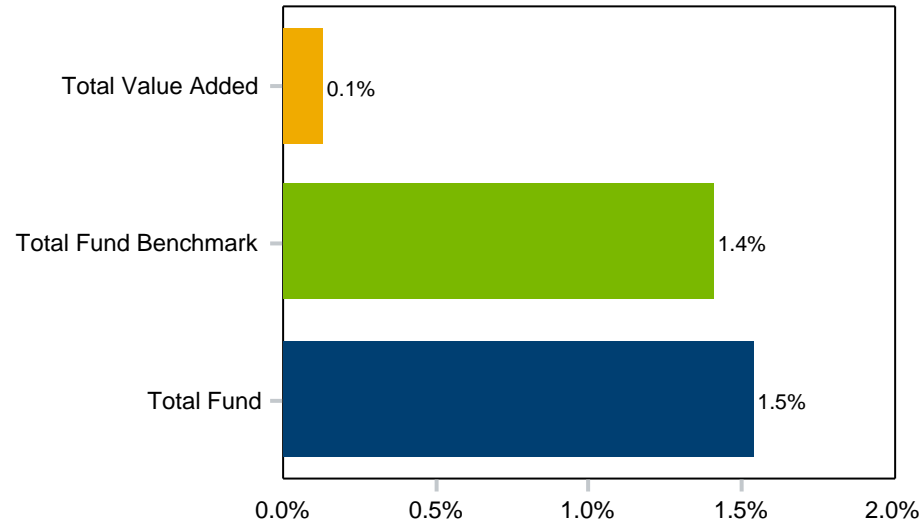
Total Fund

## Total Fund Performance Attribution

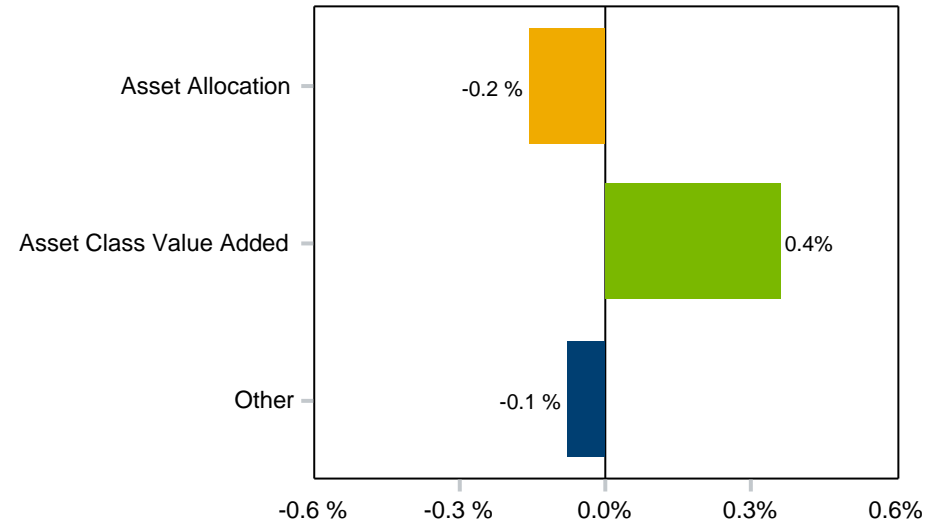
1 Quarter Ending 31 December 2019

Total Fund vs. Benchmark

Total Fund Performance



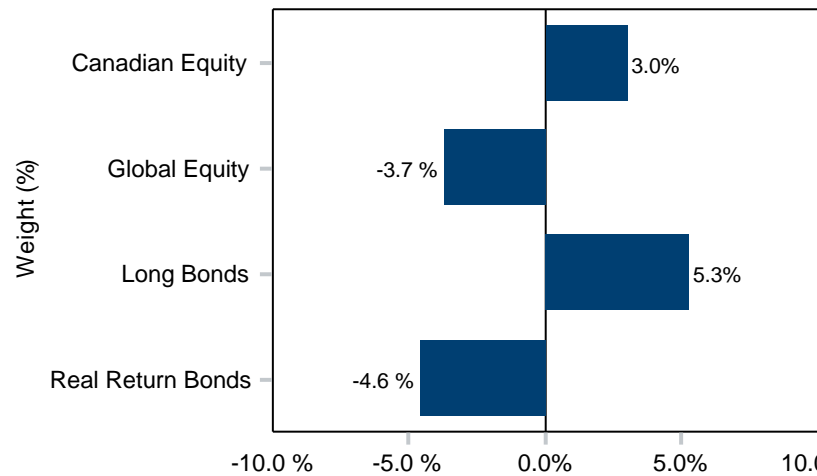
Total Value Added: 0.1%



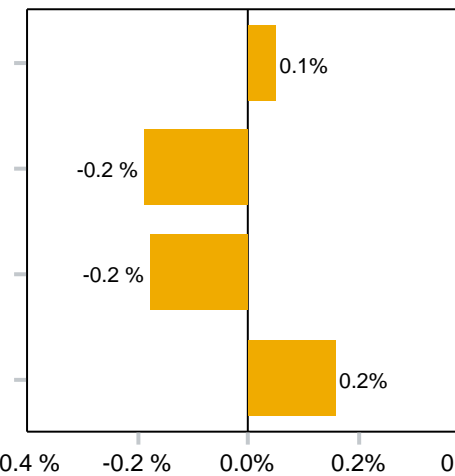
1 Quarter

Total Asset Allocation: -0.2%

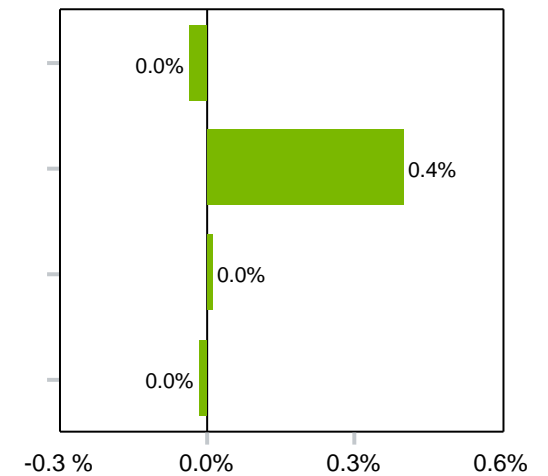
Total Asset Class Value Added: 0.4%



Active Weight



Asset Allocation Value Added



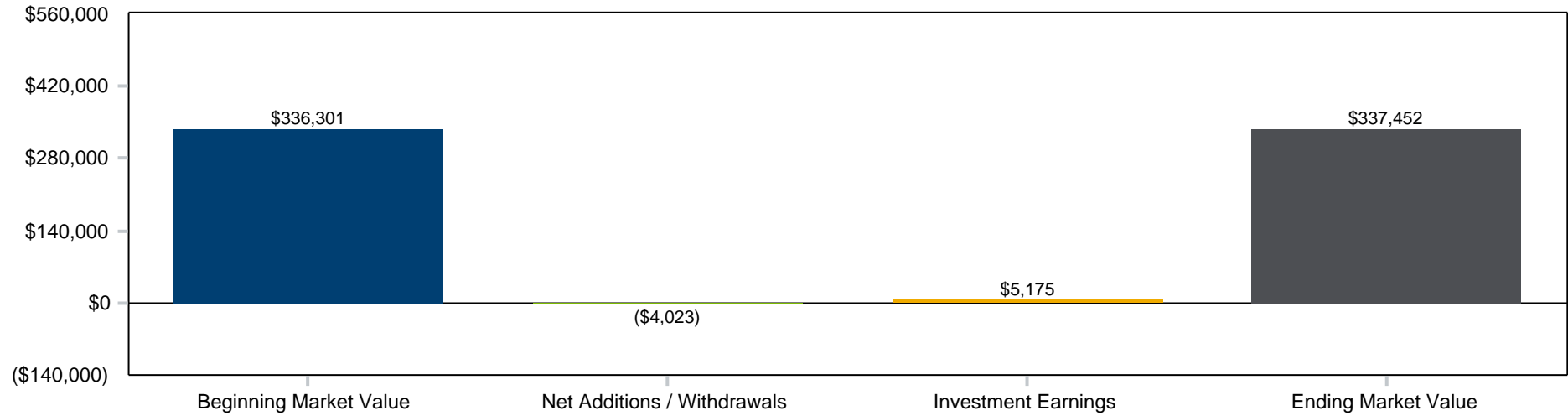
Asset Class Value Added

Total Fund

## Total Fund Asset Summary

As of 31 December 2019

Change in Market Value (\$000)  
From 1 October 2019 to 31 December 2019



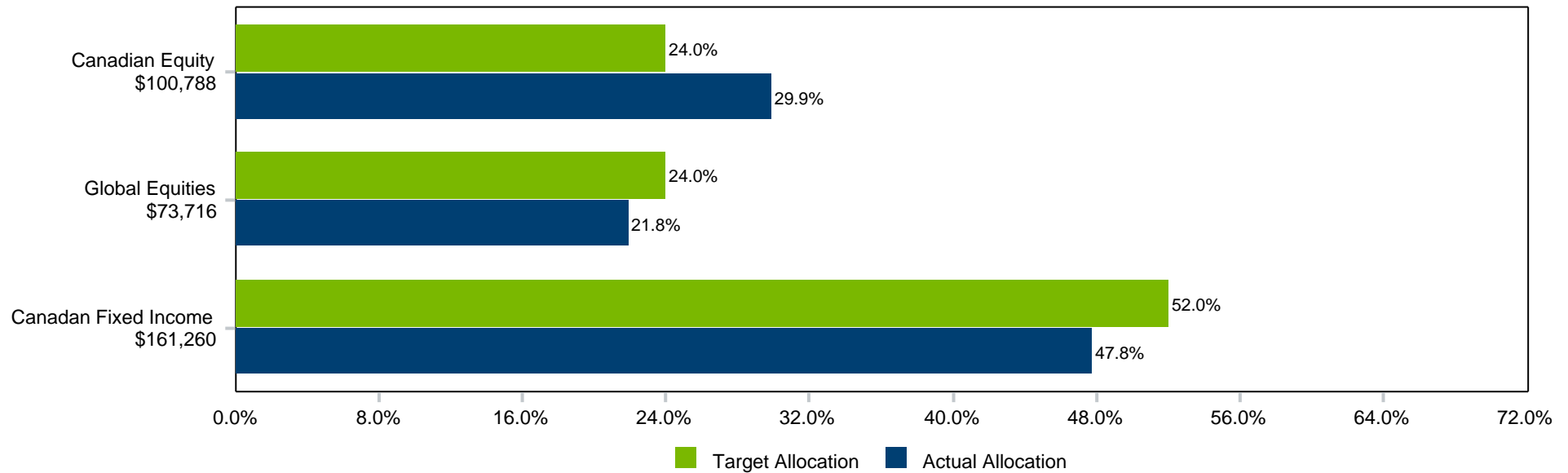
## Summary of Cash Flows (\$000)

	1 Quarter	Year To Date	1 Year	4 Years
<b>Total Fund</b>				
Beginning Market Value	336,301	311,511	311,511	320,603
+/- Net Cash Flows	-4,023	-4,047	-4,047	-58,687
+/- Income	23,890	26,823	26,823	75,355
+/- Capital Gains / Losses	-18,715	3,165	3,165	181
= Ending Market Value	337,452	337,452	337,452	337,452

Total Fund

## Asset Allocation Compliance

As of 31 December 2019 (\$000)



	Market Value (\$000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Total Fund	337,452	100.0	100.0	0.0			
Canadian Equity	100,788	29.9	24.0	5.9	19.0	29.0	No
Global Equities	73,716	21.8	24.0	-2.2	19.0	29.0	Yes
Canadian Fixed Income	161,260	47.8	52.0	-4.2	42.0	62.0	Yes

Canadian Fixed Income comprises of Long Bonds and Real Return Bonds. Even though at aggregate level, Canadian Fixed Income is within the target ranges, Real Return Bonds are out of compliance and underweight relative to their minimum policy target.

## Appendix A - Plan Information

## Plan Information

### Summary of Investment Objective

**The investment policy contains specific performance objectives for the fund and the investment managers.**

All investment rates of return are measured over moving four-year periods. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources.

Returns will be calculated on a time-weighted basis and compared to the objectives described below.

The *objective* of the total fund is to outperform a benchmark portfolio that is comprised of the following weightings:

	31 December 2019 onwards	1 April 2019 to 31 December 2019	1 January 2019 to 31 March 2019	1 October 2018 to 31 December 2018	1 April 2018 to 30 September 2018	1 January 2018 to 31 March 2018	1 October 2017 to 31 December 2017	1 July 2014 to 30 September 2017	1 April 2012 to 30 June 2014	1 July 2011 to 31 March 2012	1 January 2008 to 30 June 2011	1 July 2006 to 31 December 2007	Up to 30 June 2006
S&P/TSX Composite	24.00%	26.00%	27.00%	28.00%	27.00%	27.00%	27.00%	28.00%	30.00%	30.00%	30.00%	30.00%	25.00%
MSCI World (C\$)	25.00%	25.00%	26.00%	28.00%	26.00%	27.00%	26.00%	28.00%	30.00%	30.00%	0.00%	0.00%	0.00%
MSCI World ex. Cda (C\$)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.00%	15.00%	17.50%
S&P 500 - hedged to C\$	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	7.50%	8.75%
MSCI EAFE - hedged to C\$	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	7.50%	8.75%
FTSE Canada Universe Bond	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	40.00%	45.00%	40.00%	40.00%
FTSE Canada Long Bond	21.00%	21.00%	22.00%	23.00%	22.00%	23.00%	22.00%	22.00%	25.00%	0.00%	0.00%	0.00%	0.00%
FTSE Canada Real Return Bond	31.00%	28.00%	25.00%	21.00%	25.00%	23.00%	25.00%	22.00%	15.00%	0.00%	0.00%	0.00%	0.00%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Appendix B - Manager Updates

Manager Updates

Manager Updates

As of 31 December 2019

Aberdeen Standard Investments

Q4 2019

Business

There were no significant events during the quarter.

Staff

On October 2, 2019, it was announced that Martin Gilbert will retire from his role as Vice Chairman of SLA, formally leaving the company on September 30, 2020. Mr. Gilbert remains Chairman of ASI until then.

Brandes Investment Partners

Q4 2019

Business

There were no significant events.

Staff

There were no significant events.

Manager Updates

Manager Updates

As of 31 December 2019

GMO

Q4 2019

Business

In October 2019, GMO launched the Quality Spectrum Strategy which is a long/short quality strategy that expects to generate equity-like returns while providing protection against market drawdowns.

Staff

In November, Malcolm Brown, Portfolio Manager of the Special Opportunities Team left the firm.

In January 2020 GMO hired Hylton Socher as the firms new Chief Technology Officer.

Guardian Capital

Q4 2019

Business

There were no significant events.

Staff

There were no significant events.

Letko, Brosseau & Associates Inc. ("Letko, Brosseau")

Q4 2019

Business

There were no significant events.

Staff

During the fourth quarter of 2019, Isabelle Godin was appointed Vice President - Operations and Chief Financial Officer. David Després was appointed Vice President - Investment Services. Lastly, both Rohit Khuller and Stéphane Lebrun were appointed Vice President - Investment Management.

## Manager Updates

As of 31 December 2019

TD Asset Management ("TDAM")

Q4 2019

### Business

The legal amalgamation of the acquisition of Greystone Capital Management Inc. by Toronto-Dominion Bank was effective November 1, 2019.

### Staff

Over the quarter, Christopher Case and Charles Edwardes-Ker, Portfolio Managers in the Active Fixed Income and Global Equity groups, respectively, have left the firm.

## Appendix C - Disclosure

## Statement of Disclosure

As of 31 December 2019

Aon Hewitt Inc. reconciles the rates of return with each investment manager quarterly. Aon Hewitt Inc. calculates returns from the custodian/trustee statements while the managers use different data sources. Occasionally discrepancies occur because of differences in computational procedures, security prices, "trade date" versus "settlement date" accounting, etc. We monitor these discrepancies closely and find that they generally do not tend to persist over time. However, if a material discrepancy arises or persists, we will bring the matter to your attention after discussion with your money manager.

This report may contain slight discrepancies due to rounding in some of the calculations. All data presented is in Canadian dollars unless otherwise stated.

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