



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 1, 2025

Report No: FCS25014

Subject/Title: Treasurer's Investment Report 2024 Fiscal Year by Aon (FCS25014)

Ward(s) Affected: (City Wide)

Recommendation

- 1) That Report FCS25014, "Treasurer's Investment Report 2024 Fiscal Year by Aon", as provided to Council, **BE RECEIVED** for information.

Key Facts

- The purpose of Report FCS25014 is for the Treasurer of the City of Hamilton (General Manager, Corporate Services), in accordance with the *Municipal Act, 2001*, the regulations thereunder and the City of Hamilton's Statement of Investment Policies and Procedures (the "City's SIPP"), to present to Council the City of Hamilton Reserve Funds Treasurer's Investment Report 2024 Fiscal Year (the "Treasurer's Report"), attached as Appendix "A" to Report FCS25014.
- In 2024, all investments met the eligibility requirements as prescribed by Ontario Regulation 438/97 ("O. Reg. 438/97") and were made in accordance with the investment policies and goals, the City's SIPP, adopted by the City of Hamilton.

Financial Considerations

There are no budgetary or financial implications to the recommendations.

Background

In accordance with the *Municipal Act, 2001* and the City's SIPP, the Treasurer shall prepare and present to Council each year an investment report on the management of the City's Funds during the prior fiscal year.

The Treasurer's Report is an investment report for the City of Hamilton Reserve Fund and the Hamilton Future Fund (the "Funds") for the City's fiscal year ending on December 31, 2024 and is prepared by Aon on behalf of the Treasurer of the City of Hamilton. Market value as of December 31, 2024 for the City Reserve Fund was \$1.17 B and for the Hamilton Future Fund was \$56.4 M.

In accordance with O. Reg. 438/97 and the City's SIPP, the Treasurer of the City shall prepare and present to Council each year, an investment report on the management of the City's Funds during the prior fiscal year that complies with section 8 (Investment report) of O. Reg. 438/97 and shall contain, but not be limited to, the following information:

- a statement about the performance of the investments for the Funds;
- 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 description of the estimated proportion of the total investments of the City 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 Treasurer as to whether or not, in his opinion, all investments are consistent with the investment policies and goals (the City's SIPP) adopted by the City;
- a statement by the Chief Investments Officer as to whether or not, in his or her opinion all investments are consistent with the investment policies and goals (the City's SIPP) adopted by the City;
- such other information that Council may require or that, in the opinion of the Treasurer, should be included.

The investment report, prepared by Aon on behalf of the Treasurer, is the Treasurer's Report and is attached as Appendix "A" to Report FCS25014.

Analysis

Investment Performance of the Funds (Page 4 of the Treasurer's Report)

Report FCS25017 provides details of the investment performance of the Reserve Fund as at December 31, 2024. Report FCS25018 provides details of the investment performance of the Hamilton Future Fund as at December 31, 2024.

The market rates of return for the 12-month period ending December 31, 2024 were 6.37% for the Reserve Fund and 5.74% for the Hamilton Future Fund. The Reserve Fund and the Hamilton Future Fund outperformed the benchmark rate of return of 4.49% by 1.88% and 1.25%, respectively.

The outperformance is due to the fixed income holdings consisting largely of short-maturity and mid-maturity bonds, which outperformed long-maturity bonds over the year 2024 and also due to the equity holdings which posted significant positive returns in 2024.

Market rate of return is based on security market value and includes net unrealized gains and losses, net realized gains and losses and income. The market rate of return is provided by RBC Investor & Treasury Services ("RBCITS"), which is also the City's custodian.

Table 1 shows the performance returns of the Funds along with the benchmark return over each of the quarters of 2024 and over the one-year and three-year periods ending December 31, 2024.

Table 1 – Performance Returns

	Q1 2024 %	Q2 2024 %	Q3 2024 %	Q4 2024 %	1 Year %	3 Year %
Benchmark	-0.30	1.07	3.40	0.28	4.49	1.08
Reserve Fund	0.17	0.93	4.69	0.50	6.37	1.74
Hamilton Future Fund	0.05	1.01	3.95	0.63	5.74	2.05
Reserve Fund Minus Benchmark	0.47	-0.14	1.29	0.22	1.88	0.66
Hamilton Future Fund Minus Benchmark	0.35	-0.06	0.58	0.35	1.25	0.96

The benchmark for the Funds is composed of 10% of the Financial Times Stock Exchange ("FTSE") Canada 91-day Treasury Bill Index, 62.5% of the FTSE Canada Short-Term All-Government Bond Index and 27.5% of the FTSE Canada All-Government Bond Index. The FTSE indices track performance returns of the various investments.

In the Canadian fixed income markets, in 2024, one-year returns on Canadian government and corporate bonds were positive across the curve, although short-maturity and mid-maturity bonds outperformed long-maturity bonds.

By the end of the year, yields for short-maturity and most mid-maturity government bonds were lower than at the start of the year, largely driven by easing inflationary pressures during the year which allowed the Bank of Canada to lower the policy interest rate from its more restrictive policy position.

The Bank of Canada cut the policy interest rate five times in 2024 (the first three each by 25 basis points and the last two each by 50 basis points), taking the policy interest rate from 5% at the beginning of the year in 2024 to 3.25% at the end of the year in 2024.

The two-year Government of Canada bond yield was 2.93% as of December 31, 2024, down 0.96% from its yield of 3.89% as of December 31, 2023, whereas, the 10-year Government of Canada bond yield was 3.23% as of December 31, 2024, up 0.12% from its yield of 3.11% as of December 31, 2023.

For the Canadian equity market's strong performance in 2024, key drivers were the Bank of Canada's policy interest rate cuts, investor enthusiasm in artificial intelligence and the resilience of the U.S. economy.

Types of Securities (Pages 5 and 6 of the Treasurer's Report)

The types of securities (and the entities who issue them) which municipalities are permitted to invest in are prescribed by legislation and regulations, including O. Reg. 438/97. The City's list of securities and approved issuers is provided on Page 5 of the Treasurer's Report and is set out in the Sector and Issuer Limitations section in the City's SIPP. The types of securities held during 2024 by the Reserve Fund and the Hamilton Future Fund are provided on Page 6 of the Treasurer's Report.

Portfolio Securities (Pages 7, 8, 9 and 10 of the Treasurer's Report)

As of December 31, 2024, the total market value (including cash but not including accrued income) of the securities in the Reserve Fund was \$1,170,042,434 of which \$107,777,542 consists of investments in the One Investment Program.

One Investment Program is jointly run by CHUMS (a subsidiary of the Municipal Finance Officers' Association of Ontario) and Local Authority Services (a corporation of the Association of Municipalities of Ontario).

As of December 31, 2024, the Reserve Fund held units with a market value of \$102,124,358 in the One Investment Program Canadian Equity Portfolio and held units with a market value of \$5,653,184 in the One Investment Program Canadian Corporate Bond Portfolio.

As of December 31, 2024, the total market value (not including accrued income) of the securities in the Hamilton Future Fund was \$56,397,625 of which \$3,026,133 consists of investments in the One Investment Program Canadian Equity Portfolio.

Investment in City of Hamilton Securities

During the fiscal year 2024, the City was invested in its own long-term securities, which had a market value of \$2,967,329 or a proportion of 0.25% of the total market value of the Reserve Fund as of December 31, 2024. As of December 31, 2023, the proportion was 0.25%.

The City had no other transactions in or disposals of its own securities during the fiscal year 2024 and the City was not invested in its own short-term securities, as was the case during fiscal year 2023.

Restrictions (Pages 11 and 12 of the Treasurer's Report)

Table 2, taken from the Treasurer's Report, shows that as of December 31, 2024, on a combined basis, the Funds were being managed in accordance with the minimum quality requirements, maximum quantity restrictions and all other imposed restrictions.

Table 2 – Compliance with Restrictions as of December 31, 2024

Were the Funds managed in compliance with the Policy?		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 with exception of investments specified in Section 4.07 and footnote 6 of Appendix "A" of the SIPP		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*	Years	
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	Yes

Note to Table 2: * Except for City of Hamilton issues which have an upper limit of 25%

Table 3, which is provided in addition to information in the Treasurer's Report, shows the Funds' credit exposure with respect to the approved issuers given in the City's SIPP.

Table 3 - Credit Exposure¹ (%) As of December 31, 2024

Issuer or Sector	Reserve Fund	Hamilton Future Fund ² "HFF"	Reserve Fund and HFF Combined	Maximum Limit %
Cash	0.0%	1.1%	0.1%	N/A
Canada Bonds				
Canada	0.0%	0.0%	0.0%	100%
Guarantee	6.0%	11.4%	6.3%	25%
Provincial Bonds				
Ontario	18.2%	11.6%	17.9%	50%
Other (rated AA or higher)	32.2%	38.2%	32.4%	100%
Other (rated A)	6.4%	5.3%	6.3%	20%
Municipal Bonds				
Hamilton	0.3%	0.0%	0.3%	25%
Other	17.9%	20.8%	18.0%	30%
Banks and Credit Union				50%
Schedule I Banks	11.5%	7.5%	11.3%	50%
Credit Union	0.0%	0.0%	0.0%	8%
Asset Backed Securities	0.0%	0.0%	0.0%	25%
Corporate Bonds	0.0%	0.0%	0.0%	15%
Commercial Paper and Asset Backed Commercial Paper (ABCP)	0.0%	0.0%	0.0%	20%
One Investment Program				15%
Canadian Equity Portfolio	7.0%	4.1%	6.9%	10%
Canadian Corporate Bond Portfolio	0.5%	0.0%	0.5%	10%
Total	100.0%	100.0%	100.0%	

Notes to Table 3:

¹ Credit Exposure refers to the par value of holdings in individual issuers or sectors as a percentage of the total par value of holdings in the fund.

² For the Hamilton Future Fund, Credit Exposure does not reflect the shares of the Hamilton Utilities Corporation, which are held in the Hamilton Future Fund custodial account with RBCITS.

Activity and Transactions (Page 13 of the Treasurer's Report)

During the fiscal year 2024, the total dollar amount of cash inflows for the Reserve Fund was \$263.2 M, consisting of \$118.2 M in sales and maturities, \$48.2 M in investment income and \$96.8 M in contributions / transfers. Cash outflows were also \$263.4 M and consisted of \$109.9 M in purchases and \$153.4 M in distributions and \$0.1 M in expenses.

During the fiscal year 2024, the total dollar amount of cash inflows for the Hamilton Future Fund were \$2.0 M, consisting of \$2.0 M in investment income. Cash outflows were \$1.9 M and consisted of \$1.9 M in purchases.

Certificate by Chief Investments Officer (Page 14 of the Treasurer's Report)

The Chief Investments Officer has certified on page 14 of the Treasurer's Report that the Funds were managed in compliance with the *Municipal Act, 2001* and in accordance with the terms, conditions and guidelines stipulated in the City's SIPP.

Alternatives

There are no alternatives for consideration.

Relationship to Council Strategic Priorities

Report FCS25014 enforces and supports the following:

1. Sustainable Economic & Ecological Development
 - 1.1 Reduce the burden on residential taxpayers
3. Responsiveness & Transparency
 - 3.1 Prioritize customer service and proactive communication

Previous Reports Submitted

Recent Treasurer's Investment Reports include:

FCS24030 - [Treasurer's Investment Report 2023 Fiscal Year by Aon](#) – June 6, 2024
FCS24030 - Treasurer's Investment Report 2023 Fiscal Year by Aon - [Appendix "A"](#) – June 6, 2024

Consultation

On behalf of the Treasurer, Aon prepared the Treasurer's Report, attached as Appendix "A" to Report FCS25014.

Appendices and Schedules Attached

Appendix "A" to Report FCS25014 – City of Hamilton – Reserve Funds Treasurer's
Investment Report 2024 Fiscal Year

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