



City of Hamilton

Report for Information

To: Chair and Members
Audit, Finance & Administration Committee

Date: May 7, 2026

Report No: FCS26025

Subject/Title: Reserve / Revenue Fund Investment Performance Report as of December 31, 2025

Ward(s) Affected: (City Wide)

Recommendations

That Report FCS26025, respecting Reserve / Revenue Fund Investment Performance as of December 31, 2025, **BE RECEIVED** for information.

Key Facts

- For 2025, the City's Reserve / Revenue Fund ("Reserve Fund") had an earnings rate of 3.90% based on market value and an overall market value return of 5.59%. This performance outperformed the benchmark of 2.99% by 2.60%.
- For 2025, the Reserve Fund, the City's bank account, and Guaranteed Investment Certificates (GICs) earned a 3.76% return and generated income of \$65.74 M, mainly for City reserves. The income generated over five years averages \$59.38 M.

- The Reserve Fund is governed by Ontario legislation (Ontario Regulation 438/97) and the City's Statement of Investment Policies and Procedures (Report FCS24004).
- The Reserve Fund investment holdings is comprised of bonds, ONE Investment Program Canadian Corporate Bond Portfolio ("ONE Canadian Corporate Bond Portfolio") and ONE Investment Program Canadian Equity Portfolio ("ONE Canadian Equity Portfolio").
- As of December 31, 2025, the combined value of the Reserve Fund investment holdings, City GICs, and bank balances amounted to \$1.6 B.

Financial Considerations

There are no budgetary or financial implications to the recommendations.

Background

Report FCS26025 provides transparency on the financial management of the City's investments.

Analysis

The Reserve Fund investment holdings (bonds, ONE Canadian Corporate Bond Portfolio, and ONE Canadian Equity Portfolio) together with Bank GICs and bank balances total \$1.629 B on market value basis and \$1.612 B on cost basis as at December 31, 2025.

Reserve Fund Values and Composition

As at December 31, 2025, the Reserve Fund market value was \$1,228,402,439 up \$52,376,678 from the previous year. The book value was \$1,211,348,377, resulting in an unrealized gain on market value of \$17,054,062.

As of December 31, 2025, the Reserve Fund's market value totaled \$1,228,402,439. Of this amount, \$1,098,821,041 (or 89.4%) was invested in bonds, including cash and accruals, \$123,763,218 (or 10.1%) was invested in the ONE Canadian Equity Portfolio and \$5,818,181 (or 0.5%) was invested in the ONE Canadian Corporate Bond Portfolio.

As of December 31, 2025, the portfolio weighted term-to-maturity of the Reserve Fund was 5.25 years compared with 5.46 years as at December 31, 2024.

Earnings Rate of the Reserve Fund

The Reserve Fund had an earnings rate of 3.90% for the 12 months ending December 31, 2025. Over the previous five years, its average earnings rate was 3.38%. The earnings rate includes investment income and bond lending income but excludes realized and unrealized capital gains / losses.

Return on Average Cost for Reserve Fund, Bank Account and GICs

Income generated of \$65,736,642 was realized on an average cost of assets of \$1,749,484,519 resulting in a return of 3.76% in 2025.

The average asset cost totals \$1,749,484,519 and is made up of \$1,194,345,727 in Reserve Fund investments, which includes \$1,104,306,004 in bonds, \$83,862,340 in ONE Canadian Equity Portfolio, and \$6,177,383 in the ONE Canadian Corporate Bond Portfolio, along with \$532,451,291 for the City's bank account balance and \$22,687,501 in GICs.

The income generated of \$65,736,642 is composed of investment income, net realized capital gains / losses, lending income, bank interest and GICs interest, over the 12 months ending December 31, 2025. Over the previous 5 years, the average annual income generated was \$59.38 M.

Overall Market Value Return of Reserve Fund

For the 12 months ending December 31, 2025, the Reserve Fund returned 5.59% outperforming the benchmark's 2.99% by 2.60%. The previous 5-year average annual return was 2.18%, outperforming the benchmark of 1.02% by 1.16%.

Over the 12-month period ending December 31, 2025, the City's investment in ONE Canadian Equity Portfolio returned 21.19% and the City's investment in ONE Canadian Corporate Bond Portfolio returned 2.92%.

The outperformance of the Reserve Fund versus the benchmark can be attributed to the holdings in mid-term maturity bonds, which outperformed bonds with short-term maturity and with long-term maturity, and to the strong positive returns in the ONE Canadian Equity Portfolio.

Table 1 summarizes the investment return indicators for the Reserve Fund and other comparators over the past five years.

FCS26025 – Reserve / Revenue Fund Investment
Performance Report as of December 31, 2025 – City Wide

Table 1 – Investment Return Indicators

	12 Months ended 12/31/2025	12 Months ended 12/31/2024	12 Months ended 12/31/2023	12 Months ended 12/31/2022	12 Months ended 12/31/2021 ***
Policy Target	2.99%	4.49%	4.80%	-5.70%	-1.49%
Reserve Fund - Overall Market Value Return	5.59%	6.37%	6.60%	-7.09%	-0.57%
Comparators (1 to 4):					
1 ONE Investment Program – Canadian Government Bond	2.98%	4.85%	4.61%	-4.04%	-1.44%
2 ONE Investment Program – 12 Month Average Rate HISA Portfolio *	3.328%	7.17%	4.65%	1.57%	0.04%
3 FTSE TMX – Short Government	3.42%	4.92%	4.19%	-3.88%	-1.12%
4 FTSE TMX – Mid Government	3.75%	4.00%	5.65%	-10.33%	-3.07%
Reserve Fund - Earnings Rate (Excludes Capital Gains / Losses)	3.90%	4.04%	3.14%	2.86%	2.95%
Reserve Fund - Return on ONE Canadian Equity Portfolio **	21.19%	20.57%	20.55%	17.07%	33.56%

Notes to Table 1:

- * 2025 CoH calculation based on average of One Investment Program HISA monthly rates (Jan to Dec)
- * 2024 CoH calculation based on One Investment Program Money Market (Jan to Sept) and One Investment Program HISA (Oct to Dec)
- * 2021-2023 as per One Investment Program Money Market (MM). One Investment Program MM was discontinued in Oct 2024
- ** 2023-2025 market returns as per RBCITS; 2021 to 2022 returns calculated by COH
- *** Return on ONE Canadian Equity Portfolio not included in Reserve Fund Market Value Return for 2021 and Earnings Rate for 2021

Canadian Interest Rates

Table 2 shows the changes in Canadian interest rates from January 2024 to January 2026.

Table 2 – Canadian Interest Rates

Canada Benchmark Bond	Interest Rate January 2, 2026	Interest Rate January 2, 2025	Interest Rate January 2, 2024
One Month (T-Bill)	2.07%	3.19%	5.03%
2 year	2.61%	2.93%	3.96%
5 year	3.00%	2.96%	3.25%
10 year	3.47%	3.22%	3.18%

City’s Bank Account and GICs

During the year ending December 31, 2025, the City’s bank account held cash balances, for purposes of funding operational expenses and of maintaining liquidity, which earned a favourable interest rate. Additionally, some of the monies were invested in GICs with favourable interest rates.

Looking Forward

Market and economic expectations drive interest rates and returns on assets. The current global issues including the United-States-Mexico-Canada Agreement and geopolitical events, as well as, domestic issues such as the Bank of Canada’s monetary policy, affects growth, investment, employment and inflation. Staff will continue to monitor the current situation and may make adjustments to the investment strategy, accordingly.

Alternatives

There are no alternatives for consideration.

Relationship to Council Strategic Priorities

Report FCS26025 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 Investment Performance Reports and Statement of Investment Policies and Procedures Report include:

[FCS25017 – Reserve / Revenue Fund Investment Performance Report –
December 31, 2024 – Audit, Finance and Administration Committee May 1, 2025](#)

[FCS24067 – Reserve / Revenue Fund Investment Performance Report –
December 31, 2023 – Audit, Finance and Administration Committee December 5, 2024](#)

[FCS23001 – Reserve / Revenue Fund Investment Performance Report –
December 31, 2022 – Audit, Finance and Administration Committee May 18, 2023](#)

[FCS22032 – Reserve / Revenue Fund Investment Performance Report –
December 31, 2021 – Audit Finance and Administration Committee May 19, 2022](#)

[FCS24004 – Reserve / Revenue Statement of Investment Policies and Procedures –
Audit, Finance and Administration Committee January 18, 2024](#)

Consultation

None.

Appendices and Schedules Attached

None.

Prepared by:

Rosaria Morelli, Acting Chief Investment Officer, Finance / Administration, Investments and Special Projects, Corporate Services Department

Submitted and Recommended by:

Brian McMullen, Director, Finance / Administration, Investments and Special Projects, Corporate Services Department