



Town of Newmarket  
395 Mulock Drive P.O. Box 328,  
Newmarket, Ontario, L3Y 4X7

Email: [info@newmarket.ca](mailto:info@newmarket.ca) | Website: [newmarket.ca](http://newmarket.ca) | Phone: 905-895-5193

## **2022 Q3 Investment Summary Information Report to Council**

Report Number: INFO-2022-30

Department(s): Financial Services

Author(s): Andrea Tang, Manager, Finance & Accounting / Deputy Treasurer

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In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

### **Executive Summary**

See Below

### **Purpose**

To inform the 2022 third quarter investment results.

### **Background**

Financial Services reports on the Town's financial results on a quarterly basis. This report provides a summary on the 2022 third quarter investment results.

### **Discussion**

Investment summary for the third quarter ended September 30, 2022 provides details on investments held during this period and the corresponding results.

The average weighted yield on reserve fund money market investments was 2.27% (2021 – 1.94%) compared to a weighted average benchmark of 1.99% for the nine-month period. Investment returns on short and long-term investments resulted in total investment income of \$0.9 million against the benchmark return of \$0.8 million. As recommended in the Fiscal Strategy, all investment income were allocated to reserves and none was allocated to subsidize the operating budget.

At the end of September 2022, the reserve fund investment portfolio included:

- i) \$45.7million (61.6%) Guaranteed Investment Certificates (“GIC”) with major banks of which of which \$5.5 million will be transitioned to Canadian Equity Funds to be invested with ONE investment;
- ii) \$16.5 million (22.2%) in Canadian equities;
- iii) \$8.0 million (10.8%) in non-traditional investments (internal loans); and
- iv) \$4.0 million (5.4%) Principal-Protected Notes (“PPN”).

At the end of the third quarter, investments in Canadian Equities were valued at \$15.2 million against the average cost (book value) of \$16.5 million with a return of -7.9%. The S&P/TSX Composite is a widely quoted benchmark for the Canadian Equity market. Year-to-date Q3, the index returned -13.1%. The results were primarily driven by concerns with inflation near 40-year highs. The prospects for further interest rate hikes and a slowing economy were primary factors that pushed equity markets lower in the quarter.

Adjustments to reflect the market value of these investments will be recognized at the end of the fiscal year. It is important to note that these are long term investments; therefore interim fluctuations in investment values are less relevant than the returns over the long term investment horizon.

## **Passive investments**

Total interest earned in the third quarter from the Town’s operating bank accounts was \$1.4 million against year-to-date September budget of \$0.5 million due to high interest rates.

It is anticipated that investments in Canadian equities will continue to under-perform in the short term; hence there will not be any contribution to the Asset Replacement Funds (ARF) from these investments in 2022. To compensate for this, interest income in excess of the full-year budget of \$0.8 million is being proposed to be transferred to ARF as outlined in the Q3 2022 Financial Update report dated December 5, 2022.

## **Conclusion**

In the opinion of the Treasurer, all investments made were in line with the investment policies, strategies and goals adopted by the Town.

## **Business Plan and Strategic Plan Linkages**

This report aligns with the Fiscal Strategy to discontinue the practice of allocating investment return above benchmark to subsidize the operating budget. All investment returns on reserves have been allocated to the corresponding reserves. It also supports the Council priority under the strategic pillar of Long Term Financial Sustainability.

## **Consultation**

Not applicable.

## **Human Resource Considerations**

Not applicable.

## **Budget Impact**

All investment returns on reserves have been allocated to the corresponding reserves. The YTD Q3 interest income has already exceeded the full year budget of \$785,000. Any year-end favourable variance in interest income will be transferred to Asset Replacement Fund (ARF) as outlined in the Q3 2022 Financial Summary report dated December 5, 2022.

## **Attachments**

Attachment 1 - Investment Summary for the Nine Months Ended September 30, 2022

## **Contact**

Andrea Tang, CPA, CA Manager, Finance & Accounting / Deputy Treasurer,  
[atang@newmarket.ca](mailto:atang@newmarket.ca) (ext. 2104)

## **Approval**

Mike Mayes, CPA, CGA  
Director, Financial Services / Treasurer

Esther Armchuk, LL.B  
Commissioner, Corporate Services

## Attachment 1 - Investment Summary for the Nine Months Ended Sept 30, 2022

Description	Principal Amount		Starting Date	Term	January 1 to September 30, 2022			
	2022-01-01	2022-09-30			Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
Royal Bank	\$28,032,635	\$28,159,190	2017-09-21	Various	various	\$340,004	\$421,899	-\$81,895
NB Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	4 years	3.43%	\$153,927	\$90,222	\$63,705
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$159,312	\$90,222	\$69,090
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$4,489	\$0	2011-09-30	10 years	4.00%	\$52	\$11	\$41
Internal Loan - Solar Panels (2013, Various Facilities)	\$175,733	\$166,952	2013-12-01	20 years	3.00%	\$4,361	\$2,510	\$1,851
Internal Loan - RJT Solar Panels (2014)	\$458,874	\$438,211	2015-01-01	20 years	3.00%	\$11,281	\$6,589	\$4,692
Internal Loan - Magna Solar Panels (2015)	\$1,124,090	\$1,076,563	2016-01-01	20 years	2.70%	\$24,744	\$16,188	\$8,556
Internal Loan - Honeywell Streetlights Retrofit Project	\$6,594,592	\$6,338,036	2013-12-10	20 years	2.70%	\$144,235	\$95,305	\$48,930
<b>Sub-Total</b>	<b>\$48,390,413</b>	<b>\$48,178,952</b>				<b>\$837,916</b>	<b>\$722,947</b>	<b>\$114,969</b>

\* Average Benchmark Return = Weighted CIBC Prime Rate - 1.5%

### Operating Fund Investment Summary for the 9 Months Ended September 30, 2022

Description	Principal Amount		Starting Date	Term (days)	January 1 to September 30, 2022			
	2022-01-01	2022-09-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
National Bank Coastal Capital Savings \$5.5MM			2022-03-09	90	1.49%	20,207	4,582	15,625
National Bank Coastal Capital Savings \$5.5MM			2022-03-09	180	1.60%	43,638	49,636	5,997
National Bank Coastal Capital Savings		\$5,500,000	2022-03-09	270	1.85%	56,868	62,103	5,235
<b>Sub-Total</b>		<b>\$5,500,000</b>				<b>120,713</b>	<b>116,321</b>	<b>4,392</b>
<b>Total</b>						<b>958,630</b>	<b>839,268</b>	

### PRINCIPAL PROTECTED INVESTMENTS

Description	Principal Amount		Starting Date	Term	January 1 to September 30, 2022			
	2022-01-01	2022-09-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
CIBC (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	4 years				
CIBC (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	5 years				
<b>Sub-Total</b>	<b>\$4,000,000</b>	<b>\$4,000,000</b>						

### CANADIAN EQUITY PORTFOLIO

Description	Principal Amount		Starting Date	Term	January 1 to September 30, 2022			
	2022-01-01	2022-09-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
ONE INVESTMENT		\$5,500,000	2022-04-08					
ONE INVESTMENT		\$5,500,000	2022-06-07					
ONE INVESTMENT		\$5,500,000	2022-09-08					
<b>Sub-Total</b>		<b>\$16,500,000</b>						

**Grand Total** \$52,390,413      \$74,178,952

**Note 1:**

Principal protected participation notes are a structured investment product that provides returns linked to the performance of a reference asset while also guaranteeing 100% principal protection at maturity. The original principal is fully protected at maturity regardless of the performance of the reference asset.