



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

Email: info@newmarket.ca | Website: newmarket.ca | Phone: 905-895-5193

Q2 2023 Investment Summary Information Report

Report Number: INFO-2023-28

Department(s): Financial Services

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

Meeting Date: November 17, 2023

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.

Purpose

To inform the 2023 second quarter investment results.

Background

Financial Services reports on the Town's financial results on a quarterly basis. This report provides a summary on the 2023 second quarter investment results.

Discussion

The average weighted yield on reserve fund money market investments was 3.04% (2022 – 1.81%) compared to a weighted average benchmark of 5.24% for the six months ending June 30, 2023. Investment returns on short and long-term investments resulted in total investment income of \$0.635 million against the benchmark return of \$1.197 million. Some of the Town's investments were made and locked in prior to the rising interest rates in 2022 which resulted in the actual return to-date being lower than the benchmark. However, at the end of Q2, the investment with One Equity showed unrealized gains of \$2.046 million.

At the end of June 30, 2023, the reserve fund investment portfolio included:

- i) \$34.7 million (49.6%) Guaranteed Investment Certificates ("GIC") with major banks.

- ii) \$23.6 million (33.8%) in Canadian equities.
- iii) \$7.6 million (10.9%) in non-traditional investments (internal loans).
- iv) \$4.0 million (5.7%) Principal-Protected Notes (“PPN”).

At the end of the second quarter 2023, investments in Canadian Equities were valued at \$23.6 million against the 2022 year-end market value of \$21.6 million with a return of 9.3%. The S&P/TSX Composite is a widely quoted benchmark for the Canadian Equity market. For the first quarter 2023, the index returned 4.0%.

Passive investments

Total interest earned in the second quarter from the Town’s operating bank accounts was \$1.4 million against year-to-date June budget of \$0.4 million. In 2022, bank interest in excess of the annual budget was transferred to the Asset Replacement Fund. Staff will monitor and assess to determine if a transfer will be made at year-end based on the overall 2023 tax-supported operating budget year-end financial results.

Conclusion

In the opinion of the Treasurer, all investments made were in line with the investment policies, strategies and goals adopted by the Town. As per the goals approved in staff report 2022-09, the Town’s investment in the equity market does not exceed 40% of the total investment portfolio.

Business Plan and Strategic Plan Linkages

All investment returns on reserves have been allocated to the corresponding reserves. It aligns with the Town’s core value for 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.

Attachments

Attachment 1 – Investment Summary for the 6 Months Ended June 30, 2023.

Approval

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

Esther Armchuk, LL. B
Commissioner, Corporate Services

Contact

Andrea Tang, CPA, CA

Manager, Finance & Accounting / Deputy Treasurer, atang@newmarket.ca (ext. 2014)

Appendix 1 - Investment Summary for the 6 Months Ended June 30, 2023

Description	Principal Amount		Starting Date	Term	January 1 to June 30,2023			
	2023-01-01	2023-06-30			Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
Royal Bank	\$28,383,448	\$28,711,664	2017-09-21	Various	various	\$407,235	\$740,834	-\$333,599
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$123,715	\$155,119	-\$31,404
Internal Loan -Solar Panels (2013, Various Facilities)	\$163,303	\$157,439	2013-12-01	20 years	3.00%	\$2,168	\$4,070	-\$1,903
Internal Loan - RJT Solar Panels (2014)	\$428,732	\$413,661	2015-01-01	20 years	3.00%	\$6,225	\$10,694	-\$4,469
Internal Loan - Magna Solar Panels (2015)	\$1,055,380	\$1,021,025	2016-01-01	20 years	2.70%	\$13,826	\$26,397	-\$12,571
Internal Loan - Honeywell Streetlights Retrofit Project	\$6,233,559	\$6,048,108	2013-12-10	20 years	2.70%	\$81,743	\$156,363	-\$74,620
Sub-Total	\$42,264,422	\$42,351,897				\$634,912	\$1,093,477	-\$458,566

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

PRINCIPAL PROTECTED INVESTMENTS

Description	Principal Amount		Starting Date	Term	January 1 to June 30,2023			
	2023-01-01	2023-06-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
CIBC (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	4 years			\$51,706	-\$51,706
CIBC (Note 1)	\$2,000,000	\$2,000,000	2019-09-30	5 years			\$51,706	-\$51,706
Sub-Total	\$4,000,000	\$4,000,000				\$0	\$103,413	-\$103,413

CANADIAN EQUITY PORTFOLIO

Description	Market Value		Starting Date	Term	January 1 to June 30,2023			
	2023-01-01	2023-06-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
ONE INVESTMENT	\$21,582,702	\$23,629,159				\$2,046,457	\$584,162	\$1,462,295
Sub-Total	\$21,582,702	\$23,629,159				\$2,046,457	\$584,162	\$1,462,295

Grand Total **\$67,847,124** **\$69,981,056**

\$2,681,369 **\$1,781,052** **\$900,317**

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.