



Town of Newmarket  
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## **Second Quarter 2024 Investment Summary Information Report**

Report Number: INFO-2024-17

Department(s): Financial Services

Author(s): Andrea Tang, Director, Financial Services / Treasurer

Date: August 26, 2024

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 second quarter 2024 investment results.

### **Background**

Financial Services reports on the Town's financial results on a quarterly basis. As recommended by the Fiscal Strategy, investment results are shown separately from the general quarterly financial update.

Investments are now categorized as short-term and long-term. Benchmarks are set as follows:

- For short-term investments, the expectation is that the full budget of \$785,000 will be met by year-end; and
- For long-term investments, the Non-Residential Construction Price Index is the benchmark against return on long-term investments.

### **Discussion**

The Investment Summary for the Six Months Ended June 30, 2024 (attachment 1) shows a \$0.4 million investment surplus. Attachment 2 provides details on each investment.

## Short-Term Investments

Short-term investments for the first quarter had a \$0.3 million surplus with interest earned on bank balances averaging 5.5%. With a high interest rate being maintained at this time, it is anticipated that interest from bank balances will exceed the full-year budget.

## Long-Term Investments

Long-term investments were \$0.1 million under the benchmark at 4.8% (based on the second quarter 2024 non-residential construction price index). This was mainly due to the fact that there was no trading activity from the Canadian equities; hence no realized gain/loss.

At the end of the first quarter of 2024, the fair market value (FMV) of our investments exceeded their principal value by \$3.4 million (book value \$23.9 million, FMV \$27.3 million)

The long-term investment portfolio of \$99.7 million as of June 30, 2024 included:

- i) \$26.7 million (26.8%) Guaranteed Investment Certificates (“GIC”) with major banks
- ii) \$23.9 million (24.0%) in Canadian equities
- iii) \$22.0 million (22.1%) Principal-Protected Notes (“PPN”)
- iv) \$20.0 million (20.0%) in Bonds
- v) \$7.1 million (7.1%) in non-traditional investments (internal loans)

Guaranteed Investment Certificates (GIC) include purchases on the secondary market (cost \$26.6 million against FMV \$26.9 million).

Canadian Equities are a basket of shares that are actively bought and sold by ONE Investment (cost \$23.9 million against FMV \$27.3 million). The unrealized gains should be realized in future years but are not guaranteed.

Principal-protected notes (PPN) have a guaranteed rate, which is realized, and a potential capital gain based on its underlying products – usually a stock market index (cost \$23.9 million against FMV \$27.3 million). The unrealized gain is not realized until maturity and can fluctuate over the years.

Bonds are similar to Canadian equities with an active market, but only the principal is guaranteed at maturity. They are also similar to PPNs with underlying products whose gains may fluctuate and may not be realized at maturity (cost \$20.0 million against FMV \$20.6 million).

Non-traditional investments, being internal loans, do not have a market to trade them on, and therefore no FMV.

## **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 also supports the Council priority under the strategic pillar of Long-Term Financial Sustainability.

## **Consultation**

Not application.

## **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, 2024

Attachment 2: Investment Details for the 6 Months Ended June 30, 2024

## **Approval**

Andrea Tang, CPA, CA

Director, Financial Services / Treasurer

Esther Armchuk, LL. B

Commissioner, Corporate Services

## **Contact**

Andrea Tang, CPA, CA, Director, Financial Services / Treasurer

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**Attachment 1: Investment Summary for the 6 Months Ended June 30, 2024**

	Short-term investments				Long-term Investments				Consolidated			
	Principal June 30, 2024	Return on Investment	Benchmark	Surplus / shortfall (-)	Principal June 30, 2024	Return on Investment	Benchmark	Surplus / shortfall (-)	Principal June 30, 2024	Return on Investment	Benchmark	Surplus / shortfall (-)
<b>Active investments</b>												
Guaranteed Investment Certificates (GIC)				\$ -	\$ 26,660,581	\$ 804,304	\$ 699,072	\$ 105,232	\$ 26,660,581	\$ 804,304	\$ 699,072	\$ 105,232
Canadian equities				-	23,910,220	572,273	572,273	-	23,910,220	572,273	572,273	-
Principal-Protected notes (PPN)				-	22,000,000	536,027	526,553	9,474	22,000,000	536,027	526,553	9,474
Bonds				-	20,000,000	498,630	478,685	19,945	20,000,000	498,630	478,685	19,945
Non-traditional investments (internal loans)				-	7,158,753	104,062	171,339	- 67,277	7,158,753	104,062	171,339	- 67,277
	\$ -	\$ -	\$ -	\$ -	\$ 99,729,554	\$ 2,515,297	\$ 2,447,923	\$ 67,374	\$ 99,729,554	\$ 2,515,297	\$ 2,447,923	\$ 67,374
<b>Passive Investments</b>												
Bank account interest		\$ 622,146	\$ 392,500	\$ 229,646		\$ 2,515,297	\$ 2,447,923	\$ 67,374		\$ 3,137,443	\$ 2,840,423	\$ 297,020
<b>Total</b>		\$ 622,146	\$ 392,500	\$ 229,646		\$ 2,515,297	\$ 2,447,923	\$ 67,374		\$ 5,652,740	\$ 5,288,346	\$ 364,394

**Attachment 2: Investment Details for the 6 Months Ended June 30, 2024**

<b>GUARANTEED INVESTMENT CERTIFICATES (GIC)</b>										
Description	Principal Amount		FMV	Starting Date	Maturity Date	Term	January 1 to June 30,2024			
	2024-01-01	2024-06-30					Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
Royal Bank	\$15,205,029	\$10,660,581	\$10,983,597	2017-09-21	Various	Various	Various	\$364,014	\$316,124	\$47,890
CIBC - Callable	\$6,000,000	\$6,000,000	\$6,000,000	2023-12-22	2028-12-22	5 years	5.05%	\$151,085	\$143,605	\$7,479
CANACORD GENUITY CORP - DUCA FINANCIAL - GIC	\$2,000,000	\$2,000,000	\$2,000,000	2023-12-15	2028-12-15	5 years	5.50%	\$54,849	\$47,868	\$6,981
CANACORD GENUITY CORP - DUCA FINANCIAL - GIC	\$2,000,000	\$2,000,000	\$2,000,000	2023-12-15	2027-12-15	4 years	5.60%	\$55,847	\$47,868	\$7,978
CANACORD GENUITY CORP - DUCA FINANCIAL - GIC	\$2,000,000	\$2,000,000	\$2,000,000	2023-12-15	2026-12-15	3 years	5.80%	\$57,841	\$47,868	\$9,973
CANACORD GENUITY CORP - DUCA FINANCIAL - GIC	\$2,000,000	\$2,000,000	\$2,000,000	2023-12-15	2025-12-15	2 years	6.00%	\$59,836	\$47,868	\$11,967
CANACORD GENUITY CORP - DUCA FINANCIAL - GIC	\$2,000,000	\$2,000,000	\$2,000,000	2023-12-15	2024-12-16	1 years	6.10%	\$60,833	\$47,868	\$12,964
<b>Sub-Total</b>	<b>\$31,205,029</b>	<b>\$26,660,581</b>	<b>\$26,983,597</b>					<b>\$804,304</b>	<b>\$699,072</b>	<b>\$105,232</b>

<b>CANADIAN EQUITIES</b>										
Description	Principal Amount		FMV	Starting Date		Term	January 1 to June 30,2024			
	2024-01-01	2024-06-30					Interest Rate	Return on Investment	Benchmark Return	Incremental Income
ONE INVESTMENT	\$23,910,220	\$23,910,220	\$27,264,867					\$572,273	\$572,273	\$0
<b>Sub-Total</b>	<b>\$23,910,220</b>	<b>\$23,910,220</b>	<b>\$27,264,867</b>					<b>\$572,273</b>	<b>\$572,273</b>	<b>\$0</b>

PRINCIPAL PROTECTED NOTES										
Description	Principal Amount		FMV	Starting Date	Maturity Date	Term	January 1 to June 30,2024			
	2024-01-01	2024-06-30					Interest Rate	Return on Investment	Benchmark Return	Incremental Income
CIBC	\$2,000,000	\$2,000,000	\$2,441,220	2019-09-30	2024-09-30	5 years			\$47,868	-\$47,868
CIBC	\$10,000,000	\$10,000,000	\$10,390,000	2023-11-09	2030-11-12	7 Years	5.80%	\$289,205	\$239,342	\$49,863
National Bank (Royal Bank)	\$10,000,000	\$10,000,000	\$10,443,000	2023-12-07	2033-12-07	10 Years	4.95%	\$246,822	\$239,342	\$7,479
<b>Sub-Total</b>	<b>\$22,000,000</b>	<b>\$22,000,000</b>	<b>\$23,274,220</b>					<b>\$536,027</b>	<b>\$526,553</b>	<b>\$9,474</b>

BONDS										
Description	Principal Amount		FMV	Starting Date	Maturity Date	Term	January 1 to June 30,2024			
	2024-01-01	2024-06-30					Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
ROYAL BANK - Bonds Callable 5Y+1Y	\$10,000,000	\$10,000,000	\$10,255,750	2023-12-22	2031-12-22	8 years	4.95%	\$246,822	\$239,342	\$7,479
ROYAL BANK - Bonds Callable 5Y+1Y	\$10,000,000	\$10,000,000	\$10,427,317	2023-12-22	2032-12-22	9 years	5.05%	\$251,808	\$239,342	\$12,466
<b>Sub-Total</b>	<b>\$20,000,000</b>	<b>\$20,000,000</b>	<b>\$20,683,067</b>					<b>\$498,630</b>	<b>\$478,685</b>	<b>\$19,945</b>

NON-TRADITIONAL INVESTMENTS (Internal loans)										
Description	Principal Amount		FMV	Starting Date	Maturity Date	Term	January 1 to June 30,2024			
	2024-01-01	2024-06-30					Interest Rate	Return on Investment	Benchmark Return*	Incremental Income
Internal Loan -Solar Panels (2013, Various Facilities)	\$151,576	\$145,712		2013-12-01	2033-12-01	20 years	3.00%	\$2,168	\$3,488	-\$1,320
Internal Loan - RJT Solar Panels (2014)	\$398,591	\$383,520		2015-01-01	2035-01-01	20 years	3.00%	\$6,225	\$9,179	-\$2,954
Internal Loan - Magna Solar Panels (2015)	\$986,670	\$952,315		2016-01-01	2036-01-01	20 years	2.70%	\$13,926	\$22,793	-\$8,867
Internal Loan - Honeywell Streetlights Retrofit Project	\$5,862,657	\$5,677,206		2013-12-10	2033-12-10	20 years	2.70%	\$81,743	\$135,880	-\$54,137
<b>Sub-Total</b>	<b>\$7,399,494</b>	<b>\$7,158,753</b>						<b>\$104,062</b>	<b>\$171,339</b>	<b>-\$67,277</b>

<b>Grand Total</b>	<b>\$104,514,743</b>	<b>\$99,729,554</b>						<b>\$2,515,297</b>	<b>\$2,447,923</b>	<b>\$67,374</b>
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