

**STAFF REPORT: Financial & Information Services**

**REPORT TO:** Finance & Administration  
**MEETING DATE:** April 19, 2011  
**REPORT NO.:** FIS.11.16  
**SUBJECT:** 2010 Investment Performance  
**PREPARED BY:** Robert Cummings, CMA  
 Director of Financial & Information Services

**A. Recommendations**

THAT Council receive Staff Report FIS.11.16, "2010 Investment Performance" for information purposes.

**B. Background**

The Town's financial investments are governed by the Council approved "Investment Policy", FS.08.11. The purpose of the policy is to invest all available funds in a prudent manner so as to maximize the rate of return while minimizing the degree of risk to the principal and ensuring an adequate level of liquidity within the legislated guidelines.

In accordance with the Town's Investment Policy Section V, Part (a), Council shall be updated on the status of the investments on an annual basis or upon request.

Overall, 2010 was a disappointing year for investments of a fixed income nature. The returns on the Town's portfolio are reflective of this. There a number of reasons that contributed to this:

- Low interest rates
- Slowly recovering economy
- Need for available cash for Town projects

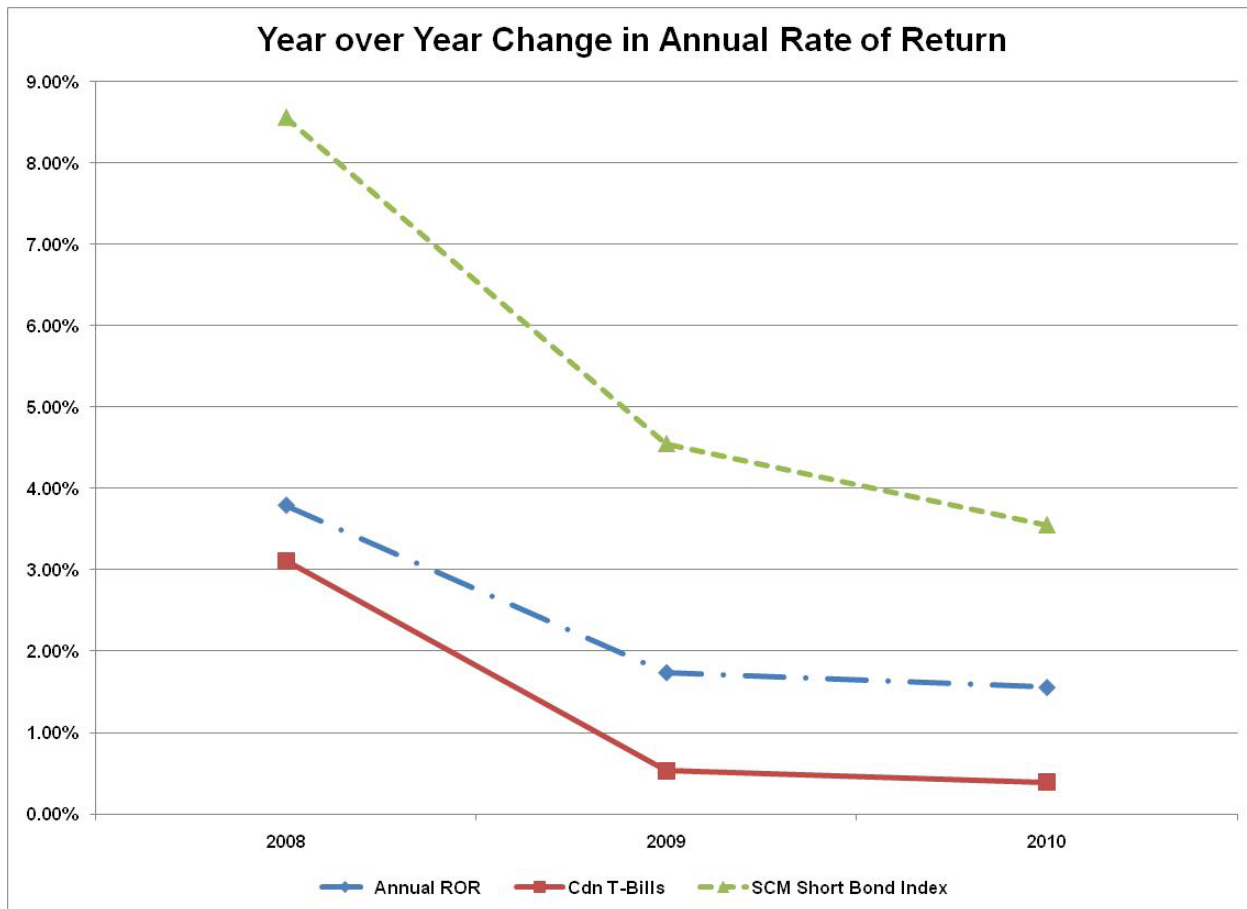
These were compounded by the limited investment instruments the Town has access to. The Town is focused on the preservation of invested capital and therefore limits itself to fixed income type securities over shorter terms. However, the Town has been able to achieve decent returns given the low interest environment by diligently working with professionals in the field.

The Town's Reserve Funds are invested in a number of investment vehicles. At year-end 2010, approximately \$4.1 million was held in the Town's TD Bank Accounts. The average interest in 2010 was calculated at 0.83%

There was about \$2.4 million invested with BMO Nesbitt Burns. This account generally earns interest at a better rate and invests in a more diversified range of fixed income securities in accordance with the Town's Investment Policy. This account earned approximately \$42,140 in 2010 with an average rate of return on the portfolio of 1.56%.

Additionally, there is \$8 million in a GIC and accounts with Meridian Credit Union. The GIC matures December 2011 with \$6 million available on demand. The annual average rate of return in 2010 was 1.45%.

As a comparison, the Canadian T-bill rate of return was 0.39% for the same period. SCM Short Bond Index return was 3.55%. A graphical illustration follows.



The 2011 outlook on interest revenue from investments is very similar to 2010. After much discussion with professionals in the field, Staff do not expect interest rates to change much over the year. However, staff will continue to look for opportunities to maximize the portfolio's returns.

**C. The Blue Mountains' Strategic Plan**

Ensuring long-term financial sustainability

**D. Environmental Impacts**

N/A

## **E. Financial Impact**

The approved 2011 Budget reflects the lower than historic rates of return. Financial Services continues to monitor the Town's investment portfolio maximizing returns at an acceptable level of risk in accordance with the Town's Investment Policy

## **F. Attached**

1. BMO Nesbitt Burns Performance Report for 2010
2. List of Securities as at December 31, 2010

Respectfully submitted,

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Signature

For more information, please contact:

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# Performance Report

As of December 31, 2010

Performance Report in Canadian \$ For  
TOWN OF THE BLUE MOUNTAINS  
A/C : 370-17184

TOWN OF THE BLUE MOUNTAINS  
ATTN ROBERT CUMMINGS  
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## Portfolio Overview

Account No.	Client Name	Client Type	Performance Start Date	Market Value as of Dec 31 10
370-17184	TOWN OF THE BLUE MOUNTAINS,	Corporate	01-FEB-01	2,350,359
Accrued Interest				\$21,464
Total value of your investments in CANADIAN \$				\$2,371,824

## Portfolio Activity Summary

Total Market Value of Portfolio as of Dec 31 09		\$3,401,436
Net Deposits / Withdrawals		-\$1,071,752
Investment Growth / Loss		\$42,140
Total Value of Account as of Dec 31 10		\$2,371,824
Your rate of return		
Year-to-date		1.56%
Last 3 months		0.65%
Last 12 months		1.56%
Last 3 Years		2.36%
Since Inception		3.33%

Market and Performance values do not include any transactions back-dated to previous months.

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# Market Value and Deposits / Withdrawals

As of December 31, 2010

	Net Deposits / Withdrawals	Market Value	Accrued Interest	Total Market Value	Change in Account Value	Investment Growth / Loss	
	A	B	C	B+C	D*	D-A	
<b>PREVIOUS CALENDAR YEARS</b>							
01-FEB-2001	<b>Initial Market Value</b>	7,682,704		7,682,704			
31-DEC-2001	1,012,000	9,051,068		9,051,068	1,368,364	356,364	
31-DEC-2002	- 5,411,000	3,844,856		3,844,856	- 5,206,211	204,789	
31-DEC-2003	656,665	4,673,713	15,202	4,688,915	844,059	187,394	
31-DEC-2004	1,000,000	5,801,971		5,801,971	1,113,055	113,055	
31-DEC-2005		5,971,807	26,571	5,998,378	196,407	196,407	
31-DEC-2006		6,227,978	8,725	6,236,703	238,325	238,325	
31-DEC-2007	- 770,000	5,726,572		5,726,572	- 510,131	259,869	
31-DEC-2008		5,919,090	24,499	5,943,589	217,017	217,017	
31-DEC-2009	- 2,626,293	3,389,068	12,368	3,401,436	- 2,542,153	84,140	
<b>CURRENT CALENDAR YEAR</b>							
31-DEC-2009	<b>Opening Market Value</b>	3,389,068	12,368	3,401,436			
31-MAR-2010		3,393,314	16,805	3,410,119			
30-JUN-2010		3,406,595	13,147	3,419,742			
30-SEP-2010		3,406,619	25,729	3,432,348			
31-DEC-2010	- 1,071,752	2,350,359	21,464	2,371,824			
31-DEC-2010	<b>Year-to-date Totals</b>	- \$1,071,752	\$2,350,359	\$21,464	\$2,371,824	- \$1,029,612	\$42,140
	<b>Since Inception</b>	- \$7,210,381					\$1,899,500

\*Change in Account Value signifies the difference in Total Market Value from previous year.

# Time Weighted Rates of Return (ROR)

As of December 31, 2010

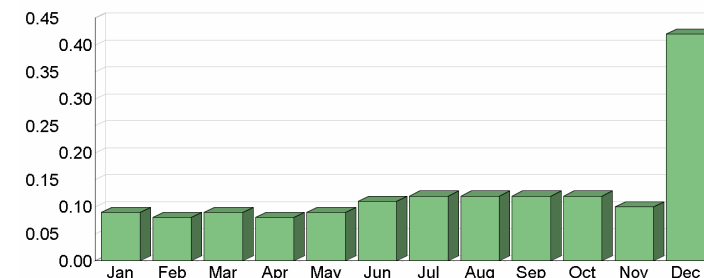
Period 2010	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Monthly ROR %	0.09	0.08	0.09	0.08	0.09	0.11	0.12	0.12	0.12	0.12	0.10	0.42
Compound YTD ROR %	0.09	0.17	0.26	0.34	0.42	0.54	0.66	0.79	0.91	1.03	1.14	1.56

2010 Quarters	1st	2nd	3rd	4th
Quarterly ROR %	0.26	0.28	0.37	0.65
Cumulative ROR %	0.26	0.54	0.91	1.56

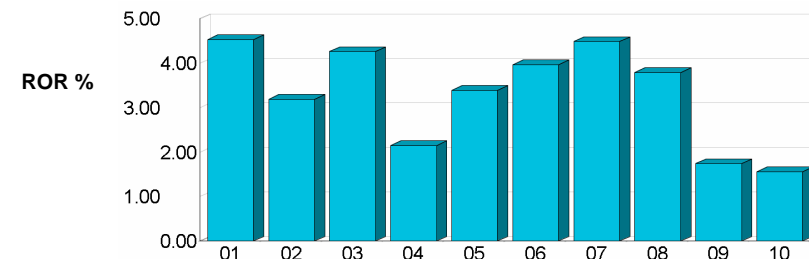
Calendar Years	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
ROR %	1.56	1.74	3.79	4.49	3.97	3.39	2.15	4.26	3.19	4.53*

Calendar Years	Acct. Value At Inception (Feb 01 01)	YE / YTD Account Balance	Previous Account Balance	Change in Account Balance
2001	7,682,704	9,051,068		1,368,364
2002		3,844,856	9,051,068	- 5,206,211
2003		4,688,915	3,844,856	844,059
2004		5,801,971	4,688,915	1,113,055
2005		5,998,378	5,801,971	196,407
2006		6,236,703	5,998,378	238,325
2007		5,726,572	6,236,703	- 510,131
2008		5,943,589	5,726,572	217,017
2009		3,401,436	5,943,589	- 2,542,153
2010 YTD		2,371,824	3,401,436	- 1,029,612

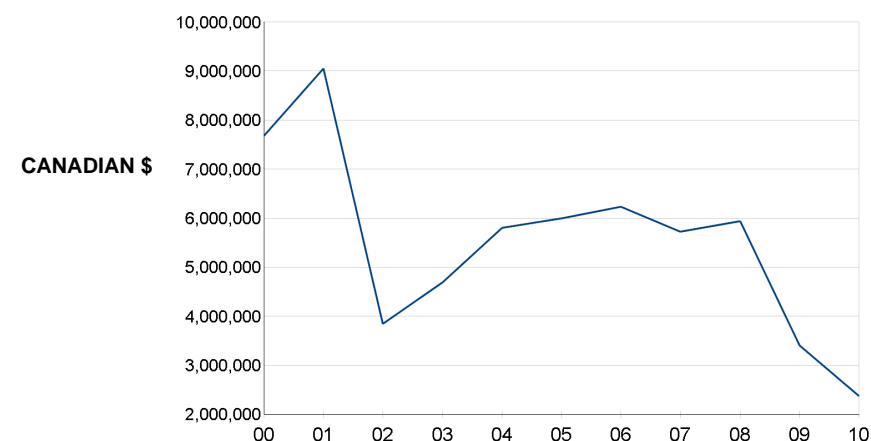
YEAR-TO-DATE PERFORMANCE



CALENDAR YEARS PERFORMANCE



YOUR PORTFOLIO VALUE



\* - partial period.

# Time Weighted Rates of Return (ROR)

As of December 31, 2010

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CREATED ON : 12-APR-2011

Performance Report in Canadian \$ For  
TOWN OF THE BLUE MOUNTAINS  
A/C : 370-17184

## Benchmark Comparison

Market Index	Since Inception (February 01, 2001) %	Last 3 Years %	YTD %
YOUR PORTFOLIO	3.33	2.36	1.56
CDN T-bills	2.63	1.34	0.39
CPI (One Month Lag)	1.95	1.52	2.35
SCM Bond Universe	6.31	6.18	6.74
S&P/TSX Composite Index	6.16	2.09	17.61
S&P500 C\$	- 3.03	- 2.75	8.89
MSCI EAFE C\$	- 0.24	- 6.44	2.40
SCM Long Bonds	7.88	6.81	12.51
U.S. Bond Universe Treasury Index C\$	1.11	5.22	0.19
SCM Short Bond Index	5.19	5.53	3.55

Portfolio and all index rates of return are stated in Canadian \$ and are calculated on a total return basis (including price changes, dividend and interest income and accrued interest).  
Information contained herein has been obtained from sources which we believe to be reliable but is not guaranteed by BMO NB.

Attachment #2 - List of Securities as at December 31, 2010

<b>Securities held with BMO</b>						
<b>Nesbitt Burns</b>	<b>Interest Rate</b>	<b>Type</b>	<b>Purchase Date</b>	<b>Purchase Value</b>	<b>Maturity Date</b>	<b>Maturity Value</b>
Cdn Western Bank	1.27%	GIC	11-Jan-10	\$ 240,700	11-Jan-11	\$ 243,757
Cdn Western Bank	1.11%	GIC	26-Jan-10	\$ 102,300	26-Jan-11	\$ 103,436
TD Mtg Corp.	1.21%	GIC	26-Mar-10	\$ 101,900	27-Mar-11	\$ 103,133
HomeTrust	2.05%	GIC	13-May-10	\$ 101,700	13-May-11	\$ 103,785
People's Trust	2.00%	GIC	26-May-10	\$ 100,000	27-May-11	\$ 102,000
TD Mtg Corp.	1.55%	GIC	02-Jun-10	\$ 200,000	3-Jun-11	\$ 203,100
Advisor Advantage	1.55%	GIC	02-Jun-10	\$ 300,000	3-Jun-11	\$ 304,650
Cdn Western Bank	1.50%	GIC	02-Jun-10	\$ 200,000	3-Jun-11	\$ 202,220
HSBC	2.55%	2yr GIC	03-Jun-10	\$ 209,900	4-Jun-11	\$ 215,148
Equitable Trust	1.70%	GIC	21-Jun-10	\$ 100,000	22-Jun-11	\$ 101,700
TD Mortgage Corp	1.70%	GIC	21-Jun-10	\$ 100,000	22-Jun-11	\$ 101,700
Maple Trust	2.50%	2yr GIC	21-Jun-10	\$ 100,000	22-Jun-11	\$ 105,063
HSBC	2.50%	2yr GIC	21-Jun-10	\$ 100,000	22-Jun-11	\$ 105,063
Home Trust	1.75%	GIC	22-Nov-10	\$ 100,000	22-Nov-11	\$ 101,750
TD Strip Bond	2.09%	ABP	22-Nov-10	\$ 91,750	1-Nov-12	\$ 93,663
Vancity	1.75%	GIC	16-Dec-10	\$ 202,600	16-Dec-11	\$ 206,146
<b>TOTAL VALUE:</b>				<b>\$ 2,350,850</b>		<b>\$ 2,396,312</b>
<b>Securities held with</b>						
<b>Meridian Credit Union</b>	<b>Interest Rate</b>	<b>Type</b>	<b>Purchase Date</b>	<b>Purchase Value</b>	<b>Maturity Date</b>	<b>Maturity Value</b>
MCU GIC	1.96%	GIC	06-Dec-10	\$ 2,000,000	6-Dec-11	\$ 2,039,200
<b>TOTAL SECURITIES VALUE:</b>				<b>\$ 4,350,850</b>		<b>\$ 4,435,512</b>