



THE CITY OF WINNIPEG
INVESTMENT POLICY

I. INTRODUCTION

A. Purpose

The purpose of this Investment Policy is to provide the City with an approved framework for managing its investment program. This policy provides direction and an accountability structure for the Corporate Finance Department in the execution and management of investment transactions.

B. Scope

The Corporate Finance Department is responsible for the investment of monies within the consolidated bank accounts. Short-term monies are essentially surplus funds that arise due to timing differences between the receipt of revenue and disbursement of expenditures. An example is the concentration of realty taxes due on June 30th that fund City expenditures over subsequent months. Another component of the short-term funds is comprised of the cash positions on deposit for investment management on behalf of the Winnipeg Civic Employees' Benefits Program. These deposits are invested and compensated in accordance with terms agreed upon with the Winnipeg Civic Employees' Benefits Program. In addition, the City has a number of reserve funds established that have either a short, medium or long-term nature to them. The long-term reserve funds are comprised of specific City Reserve Funds with either fixed or continuous future obligations. Sinking Fund investments required by the City on debt issued after January 1, 2003 also fall within this policy. Unless specifically directed or restricted by Council, the Fund Manager determines the investment term of specific reserve funds.

This policy includes:

1. A definition of short, medium and long-term investments;
2. Legal Authorization and delegated authority for investment of funds;
3. Types of investments;
4. Performance measurement;
5. Reporting requirements for the investment portfolios; and,
6. Credit risk and liquidity requirements.

C. Objective

The objective of the Policy is to incorporate industry leading practices to ensure the safety of principal and liquidity of the investment portfolio.

The objective of the investment portfolio is to prudently manage The City of Winnipeg's surplus cash position and reserve monies within the context of the following:

- Safety of principal;
- Risk/return nature of the investments;
- Liquidity of the investment; and
- The duration and convexity¹ of the investment portfolio.

Safety of principal is the overriding consideration in investment decisions.

D. Review of Investment Policy

This Policy will be reviewed annually by the Corporate Finance Department in consideration of meeting City financial goals, achieving safety of capital, the marketplace and associated market conditions, regulatory standards, technology, and industry leading practices. This Policy will be reviewed during each term of Council to ensure its continued effectiveness.

II. DEFINITION OF INVESTMENTS

The short-term investment portfolio consists of cash or liquid securities with a maturity date of one year or less.

The medium-term investment portfolio consists of securities with an original maturity date from one to five years.

The long-term investment portfolio consists of securities with an original maturity date that exceeds five years.

III. AUTHORIZATION AND INTERNAL CONTROLS

A. The City of Winnipeg Charter

Section 290 states "Council may provide for (a) money of the City not immediately required for its purposes to be invested or to purchase, acquire, hold or dispose of any of the securities specified in clauses 289(3)(a) to (e); ..." Clauses 289(3)(a) to (e) includes securities issued or guaranteed by the Federal Government, any Provincial Government or a financial institution. Also included are securities issued by a municipality, school board or school district in Manitoba and securities of a corporation authorized by or belonging to a class authorized by the Minister of Finance.

¹ Convexity is a measure of a bond's price sensitivity to changing interest rates. A higher convexity indicates greater sensitivity of a bond's price to interest rate changes.

B. Responsibility for Investment Management

The City Organization By-law 7100/97 states “The Chief Financial Officer may invest money of the City not immediately required for its purposes and may authorize the purchase and disposal of any of the securities referred to in Section 290 of the City of Winnipeg Charter.”

Administrative Directive, Governance Structure – Financial Management - Delegated Authorities states the Chief Financial Officer has delegated administrative authority to the City Treasurer for administering investment policies and developing strategies for debt and money management.

The Financial Services Division under the direction of the Manager of Financial Services carries out the administration of investment policies and development of strategies on behalf of the City Treasurer.

In the absence of Council establishing a Sinking Fund Committee under section 307(1) of the City of Winnipeg Charter, the Chief Financial Officer is responsible for investing the money in the sinking fund account and may only delegate this responsibility to an employee designated by Council under Section 307(3) of the City of Winnipeg Charter.

C. Ethics and Professional Conduct

As is the case for all City employees, individuals delegated the responsibility for investment policies and strategies and debt and money management are required to abide by the City of Winnipeg Employee Code of Conduct.

In addition, they must abide by the Code of Ethics and Standards of Professional Conduct as established by the Chartered Financial Analyst (CFA) Institute. This Code of Ethics and Standards of Professional Conduct is attached as a schedule.

D. Signing Authority for Agreements and Investment Documentation

The Chief Financial Officer has the authority to finalize and execute any and all agreements relating to this Investment Policy.

Investment transactions (purchases and sales) will be evidenced with appropriate documentation which states the terms and associated conditions of the executed transaction.

Two authorized signatures as established in the financial delegation of signing authority are required for all trading transactions. The initiator of the transaction will sign the trading ticket as evidence to its validity and accuracy. The second authorization signature will primarily be the Manager of Financial Services. In the absence of the Manager of Financial Services, the signature of one of the following individuals is to be obtained: Chief Financial Officer, City Treasurer, or the Corporate Controller.

E. Safekeeping of Securities

The Chief Financial Officer is responsible for the safekeeping of securities. The Financial Services Division under the direction of the Manager of Financial Services will ensure appropriate and accurate systems and accounts are maintained for book-based securities, and that a reputable custodian accurately maintains physical securities.

F. Authorized Financial Institutions and Dealers

In Canada, regulation of the securities industry is carried out by provincial securities commissions and self-regulatory organizations, which include the Investment Industry Regulatory Organization of Canada (IIROC). IIROC was created in 2008 through a consolidation of the Investment Dealers Association of Canada (IDA) and Market Regulation Services Inc.

Each province has government bodies -- securities commissions or administrators -- that oversee a provincial Securities Act. This act provides a set of laws and regulations which outline what participants in the market can do. The securities commissions delegate certain aspects of securities regulation to the Investment Industry Regulatory Organization of Canada. The IIROC is Canada's primary regulator of the fixed income (e.g. T-bills, bonds and debentures) and equity (e.g. stock) markets. IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets.

A list will be maintained in Treasury of all financial institutions and investment dealers authorized to provide investment services. In order to qualify for investment transactions, the firm must be a member in good standing of the Investment Industry Regulatory Organization of Canada.

G. Foreign Currency

The City of Winnipeg will not bear unhedged foreign currency risk.²

IV. TYPES OF INVESTMENTS MANAGED

There are five types of investments managed by Treasury:

A. Liquidity Investments

This short-term investment is essentially surplus cash on hand. The investment(s) are used to meet general operating requirements and provide a means to meet unanticipated cash flows. Cash is typically invested in an overnight security to provide liquidity on a daily basis. This ensures the City does not have to access its bank line of credit for planned operational cash flows. A bank line of credit is a comparatively expensive form of financing and should not be employed unless unanticipated cash requirements arise. It is imperative that the prominent investment criteria be liquidity for operational requirements.

B. Asset/Liability Management Investments

The purpose of this investment class is to match and hedge the City's portfolio of assets and liabilities for interest rate management purposes. Surplus funds are essentially invested to future dates where cash is required while managing the associated interest rate risk.

C. Pre-funding Investments

Pre-funding occurs when decisions are made to borrow funds before the cash is required, or in an amount larger than required in order to exploit windows of borrowing opportunity. The excess cash is subsequently invested in instruments maturing or readily available for sale on a cash requirement

² Unhedged foreign currency risk means the City would be at risk to fluctuations of foreign currencies on permitted investments and thereby not know with certainty the rate of return on an investment.

date. While liquidity is a consideration, the risk/return relationship of these investments should be maximized to offset the carrying cost of the associated borrowing.

D. Offset Investments

An offset investment occurs when short-term promissory notes are issued and the proceeds are invested in high quality/high yielding instruments of the same term. Offset investments are an integral part of the funding strategy utilized to enhance market presence and promote name recognition for the City of Winnipeg's promissory note program.

E. Medium and Long-Term Investments

The City has certain reserve funds or portions thereof of a medium and longer-term nature. Examples of these types of reserves include reserves designated for specific purposes, stabilization, for future capital projects, and for the perpetual maintenance of cemeteries. Generally speaking, these investments have maturity dates that exceed one year.

V. PERFORMANCE MEASUREMENT

A. Rates of Return

Rates of return will be determined for each of the short, medium and long-term portfolios. Rates of return will be measured on a time-weighted basis and will include all realized and unrealized capital gains and losses plus income from all sources.

B. Benchmarks

For the purpose of measuring the performance of the portfolios, the following comparators will be used:

Short-term Investments	Government of Canada 3 Month Treasury Bill Average
Medium-term Investments	Government of Canada 3 Year Benchmark Bond Average
Long-term Investments	Government of Canada Long-term Benchmark Bond Average

C. Objectives

On an annual basis, performance objectives will be determined and agreed to with the various fund managers.

VI. REPORTING FRAMEWORK

The City Treasurer and Manager of Financial Services will be provided with a credit exposure report pertaining to the investment portfolios on a regular basis. This report will document individual investments and aggregate amounts outstanding by approved investment credit and classification. For the short-term portfolio, the weighted average return of the portfolio and the call fund investment rate, which approximates the midpoint of the Bank of Canada "target interest rate band",

will be documented and compared to the benchmark as outlined above. For the medium-term and long-term portfolios, the quarterly investment return for each fund will be documented and compared to the benchmarks as outlined above.

On an annual basis after the City's year-end, Council will be advised of the performance of the investment funds relative to the benchmarks and the objectives established. In addition, annual meetings will be held with the fund managers outlining the performance of the investment funds relative to the benchmarks and the objectives established.

All investment and debt activities are subject to the review and scrutiny of the City of Winnipeg's independent external or internal auditors.

VI. CREDIT RISK/LIQUIDITY REQUIREMENTS

A. Credit Risk Monitoring

Security of principal is the most critical investment criteria for management of public funds. Therefore, appropriate credit, term and sector limits for investments must be determined and implemented. The credit ratings of two recognized credit rating agencies will be utilized when possible. Dominion Bond Rating Service (DBRS), Moody's Investors Service or Standard & Poor's (S & P) will be utilized. In the event that only one credit rating is available, it is appropriate to utilize the credit rating service of any one of the agencies documented above.

It must be recognized without exception, the credit rating agencies state their opinion as to the creditworthiness of an investment credit and, therefore, the use of the ratings they provide does not assure a guarantee as to the safety of principal.

B. Investment Criteria Schedule

Investments must meet a minimum credit rating as noted on the Credit Risk Criteria Table in Schedule 1.

C. Downgrade In Investment Credit Rating

If an investment credit rating is downgraded to below the minimum as set out in the Investment Criteria Schedule above, it will be disposed of as expeditiously as possible without compromising the portfolio. If an investment is downgraded below the minimum as set out in Schedule 1, the event and proposed course of action must be reported to the Manager of Financial Services immediately.

Exceptions may be granted by the City Treasurer for strategic reasons (i.e. if the investment is part of a material offset, market conditions are unfavorable, etc.).

D. Approved Investments

The credit risk criteria by investment sector, as outlined in Schedule 1 will form the overall credit risk matrix for the short, medium and long-term investment portfolios.

E. Over Limit Exceptions

Due to the timing of investment maturities, required operational cash flows and availability of specific investment credits and asset classes in the marketplace, the portfolio from time to time may not be in compliance with the credit risk criteria (Schedule 1). This event is of a short run nature and

will be remedied through the realignment and reallocation of investment credits and classes that comprise the portfolio.

The Manager of Financial Services and City Treasurer will be advised if this event should occur and the recommended course of action will be undertaken.

F. Authorized Investments

The City of Winnipeg Charter limits the types of investments the City is authorized to carry out; it may only invest in the particular securities listed in clauses (a) to (e) of subsection 289(3). The City's investment portfolio shall be subject to the additional restrictions documented in the attached Schedule 1.

This policy does not cover Financial Agreements as characterized under Section 291 of The City of Winnipeg Charter.

Authorized investment activity includes:

1. Switches³

Switches of investments are authorized subject to meeting the criteria of Schedule 1.

2. Repurchase (Repo) Agreements⁴

Surplus funds may be invested in Repos subject to an acceptable Master Repurchase Agreement being signed by an authorized signing officer of the City of Winnipeg and the investment dealer. The underlying collateral will be a Government of Canada or Provincial credit or guarantee. The term of the agreement must meet the criteria in Schedule 1.

The collateral shall be re-priced at market rates anytime a 25 basis point change in the yield of the relevant Government of Canada Benchmark Security occurs. The collateral will also be re-priced at the end of each week. If the collateral is not sufficient, the investment dealer will be required to provide additional collateral or redeem the investment.

3. Lending of Securities⁵

Subsection 290(b) of the City of Winnipeg Charter permits the lending of securities under an agreement between the City and a third party provided the agreement is approved by the Minister of Finance and the loan is secured by collateral security satisfactory to the Minister of Finance. The lending of securities through the City's custodian is a way to enhance portfolio earnings. The City will ensure the necessary approvals of the Minister of Finance are in place before undertaking the lending of securities through the City's custodian.

³ A switch is the coinciding sale of one investment and subsequent purchase of another investment in order to enhance portfolio yield or to mitigate credit risk.

⁴ A Repurchase Agreement is an agreement with an investment dealer whereby an investment is purchased for a specified term and yield and at the same time the investment dealer agrees to repurchase the investment on a specific date for a predetermined price.

⁵ Security lending is a transaction in which the owner of a security agrees to lend it under the terms of a prearranged contract to a borrower for a fee. The borrower must fully collateralize the security loan at all times. An intermediary such as a bank often acts as agent for the owner of the security.

In addition to the above required approvals, the City will ensure all securities lending transactions will comply with the relevant guidelines issued by the Office of the Superintendent of Financial Institutions of Canada.

City of Winnipeg
Short-Term Investments
Credit Risk Criteria

Investment Credit	DBRS	Moody's	S & P	Amount	Term
Government of Canada (minimum 10% of portfolio)					
Bonds	AAA	Aaa	AAA	Unlimited	1 year or less
	AA	Aa	AA	Unlimited	1 year or less
Treasury Bills	R1-High	P-1	A-1	Unlimited	1 year or less
	R1-Middle	P-1	A-1	Unlimited	1 year or less
Guarantees and Crown Corporations	R1-High	P-1	A-1	Unlimited	1 year or less
	R1-Middle	P-1	A-1	Unlimited	1 year or less
Provincial Governments and Guarantees (maximum 50% of portfolio)					
Bonds	AAA	Aaa	AAA	\$125 Million	1 year or less
	AA	Aa	AA	\$100 Million	1 year or less
	A	A	A	\$ 50 Million	1 year or less
Treasury Bills, Promissory Notes, Guarantees	R1-High	P-1	A-1	\$125 Million	1 year or less
	R1-Middle	P-1	A-1	\$100 Million	1 year or less
	R1-Low	P-1/P-2	A-1/A-2	\$ 50 Million	1 year or less
Municipalities (maximum 50% of portfolio)					
Bonds	AAA	Aaa	AAA	\$100 Million	1 year or less
	AA	Aa	AA	\$ 75 Million	1 year or less
Treasury Bills, Promissory Notes, Guarantees	R1-High	P-1	A-1	\$100 Million	1 year or less
	R1-Middle	P-1	A-1	\$ 75 Million	1 year or less
Major Canadian Banks "Schedule I" (maximum 50% of portfolio)					
Major Canadian Banks "Schedule I"	R1-High	P-1	A-1	\$100 Million	1 year or less
	R1-Middle	P-1	A-1	\$ 75 Million	6 months or less
	R1-Low	P-1/P-2	A-1/A-2	\$ 50 Million	3 months or less

Investment Credit	DBRS	Moody's	S & P	Amount	Term
Schedule "II" Banks (maximum 25% of portfolio)	R1-High R1-Middle	P-1 P-1	A-1 A-1	\$ 50 Million \$ 25 Million	6 months or less 3 months or less
Commercial Paper (maximum 25% of portfolio)					
Asset-Backed Commercial Paper (Secured by a Schedule 1 Bank Guarantee)	AAA (R1High)	Aaa (P-1)	AAA (A-1)	\$100 Million	1 year or less

**City of Winnipeg
Medium & Long-Term Investments
Credit Risk Criteria**

Investment Credit	DBRS	Moody's	S & P	Amount	Term
Government of Canada and Guarantees (minimum 25% of portfolio)	AAA AA	Aaa Aa	AAA AA	Unlimited Unlimited	Unlimited Unlimited
Provincial Governments and Guarantees (maximum 50% of portfolio)	AAA AA	Aaa Aa	AAA AA	\$125 Million \$100 Million	Unlimited 30 years or less
Municipalities (maximum 50% of portfolio)	AAA AA	Aaa Aa	AAA AA	\$100 Million \$ 75 Million	Unlimited 30 years or less

Note: An individual investment credit (except Government of Canada) shall not exceed 15% of the total consolidated value of all portfolios. The City of Winnipeg has an unlimited credit amount and terms.



Code of Ethics and Standards of Professional Conduct

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards) are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by setting high standards of education, integrity, and professional excellence. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® (CFA®) designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, candidacy in the CFA Program, and the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including Chartered Financial Analyst® [CFA®] charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on ourselves and the profession.
- Promote the integrity of, and uphold the rules governing, capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

A. Knowledge of the Law. Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

B. Independence and Objectivity. Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

C. Misrepresentation. Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

D. Misconduct. Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

A. Material Nonpublic Information. Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

B. Market Manipulation. Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

A. Loyalty, Prudence, and Care. Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests. In relationships with clients, Members and Candidates must determine applicable fiduciary duty and must comply with such duty to persons and interests to whom it is owed.

B. Fair Dealing. Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

C. Suitability.

1. When Members and Candidates are in an advisory relationship with a client, they must:
 - a. Make a reasonable inquiry into a client's or prospective clients' investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
 - b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
 - c. Judge the suitability of investments in the context of the client's total portfolio.
2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must only make investment recommendations or take investment actions that are consistent with the stated objectives and constraints of the portfolio.

D. Performance Presentation. When communicating investment performance information, Members or Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

E. Preservation of Confidentiality. Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client.
2. Disclosure is required by law.
3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

A. Loyalty. In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

B. Additional Compensation Arrangements. Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with, or might reasonably be expected to create a conflict of interest with, their employer's interest unless they obtain written consent from all parties involved.

C. Responsibilities of Supervisors. Members and Candidates must make reasonable efforts to detect and prevent violations of applicable laws, rules, regulations, and the Code and Standards by anyone subject to their supervision or authority.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTION

A. Diligence and Reasonable Basis. Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

B. Communication with Clients and Prospective Clients.

Members and Candidates must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes used to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
2. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
3. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

C. Record Retention. Members and Candidates must develop and maintain appropriate records to support their investment analysis, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

A. Disclosure of Conflicts. Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

B. Priority of Transactions. Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

C. Referral Fees. Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from, or paid to, others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

A. Conduct as Members and Candidates in the CFA Program.

Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA examinations.

B. Reference to CFA Institute, the CFA designation, and the CFA Program.

When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA Program.