



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: April 13, 2026

Report No: ES-017-26

Subject: 2025 Year End Report on Investments

Recommendation: THAT report ES-017-26 be received for information.

EXECUTIVE SUMMARY

This report provides a detailed review of the Town's investment portfolio for the twelve months ending December 31, 2025, with the following information of note:

- The average portfolio balance was \$450.0 million.
- The overall portfolio average return was 3.79% on an annualized basis.
- The Town generated \$17.1 million in investment revenue in 2025, which was \$1.5 million higher than 2024 and exceeded budget by \$4.7 million.

REPORT

Background

This report has been prepared to provide an annual update to Council on the 2025 performance of the Town of Milton's investment portfolio as required by Ontario Regulation 438/97 (as amended) of the Municipal Act, 2001 and the Town's policy No. 116 - Financial Management - Treasury.

All investments made by the Town of Milton are in accordance with the approved Investment Policy which has the following basic objectives, in order of priority:

- i. Adherence to statutory requirements;
- ii. Preservation of principal;
- iii. Ensuring availability of cash to meet disbursements and other obligations;
- iv. Maintaining liquidity;
- v. Diversification of the investment portfolio, commensurate with constraints in (i) to (iv);
- vi. Earning a competitive rate of return, commensurate with constraints in (i) to (v);

Background

- vii. Regular review of the effectiveness of the policy in meeting the above objectives;
- viii. Periodic audit of the investment program to ensure adherence to the policy.

In addition, all investments must meet the eligibility requirements set out by Ontario Regulation 438/97 (as amended), which specifies limits for each type of investment that can be held.

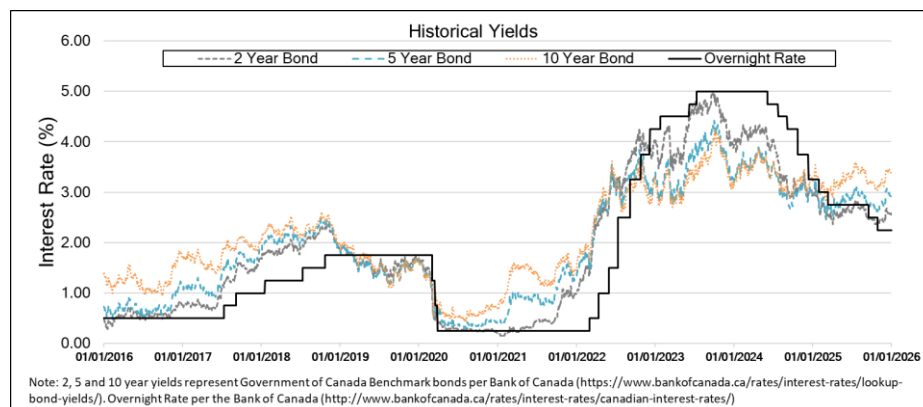
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Economic Conditions and Financial Markets

In 2025, the Canadian economy experienced moderate growth, with real GDP increasing by 1.7% and inflation at 2.1%. Slowing population growth and the impact of the ongoing trade reconfiguration weighed on the Canadian economy in 2025. In response to economic conditions, the Bank of Canada (BOC) decreased the overnight rate by 100 basis points from 3.25% to 2.25% in 2025. Household spending remained strong, supported by the interest rate cuts, while the labour market showed signs of softness with slowing wage growth. At the end of 2025 the BOC viewed the current policy rate at the appropriate level to keep inflation close to 2% while helping the economy through this period of structural adjustment.

Yields on longer-dated bonds remained relatively stable throughout 2025 as most of the interest rate cuts were previously priced into the bond market. The return on a 5 year Government of Canada bond averaged 2.83% in 2025 (2024 average: 3.30%) and 10 year Government of Canada yields averaged 3.24% in 2025 (2024 average: 3.34%)¹.

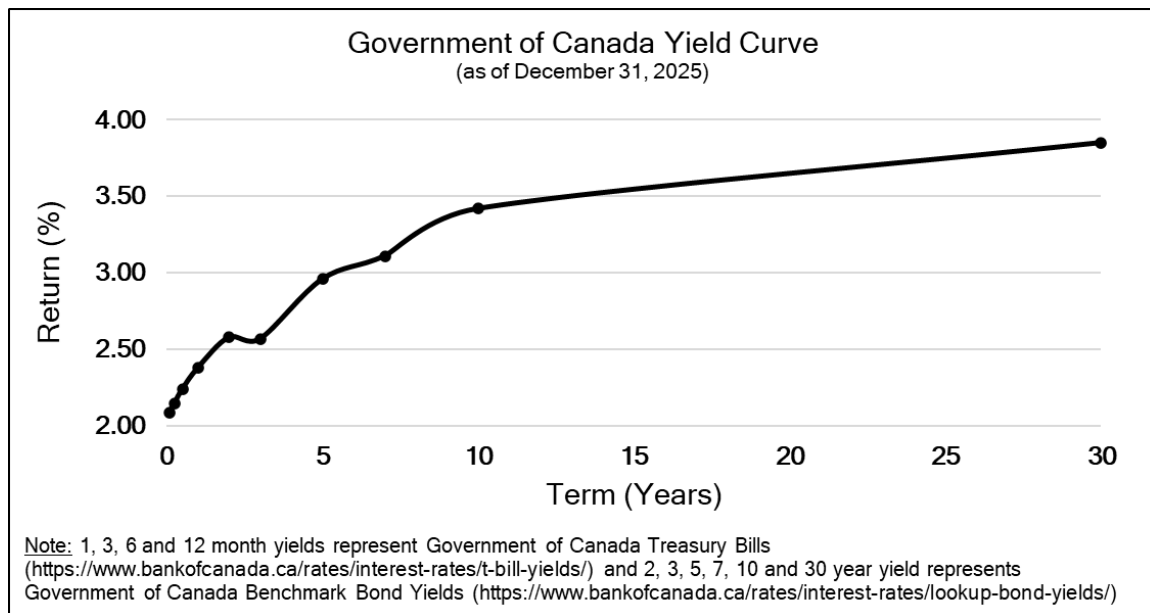
Historical overnight rates and bond yields are illustrated in the graph below, highlighting that yields reached their highest levels in a decade in 2023 before declining in late 2023 and remained relatively stable from the middle of 2024 to the end of 2025.



¹ Bank of Canada. Canadian Bond Yields: 10 Year Lookup table, V39059 Government of Canada Marketable Bonds Average Yield 1 to 3 Year and V39055 Government of Canada Benchmark Bond Yields 10 Year. <http://www.bankofcanada.ca/rates/interest-rates/lookup-bond-yields/>. Accessed January 20, 2025.

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At the end of 2025, the Government of Canada yield curve displayed a moderately upward sloping profile typical of normal market conditions. As shown in the chart below, long-term rates are higher than short and medium-term rates, providing higher returns to investors who commit to longer-term investments, assuming the same credit quality.



Beginning in 2025, in accordance with staff report ES-033-25, the Town began to introduce equity investments into its investment portfolio via the ONE Canadian Equity Portfolio. ONE Investment is a co-mingled investment program that is specifically designed and catered to Ontario municipalities, which is jointly operated by LAS (Local Authority Services) and CHUMS Financing Corporation (a subsidiary of the Municipal Finance Officers' Association of Ontario). This is currently the only eligible investment vehicle the Town can participate in to obtain direct exposure to equities and is managed by a 3rd party investment manager.

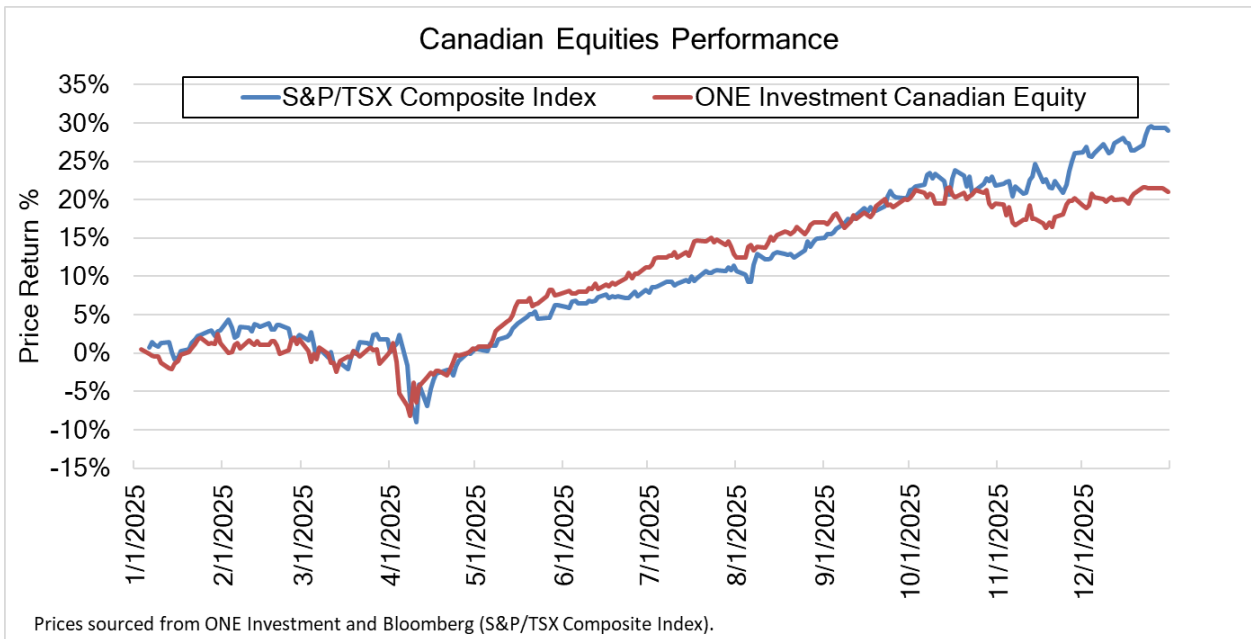
As illustrated in the chart below, the ONE Investment Canadian Equity fund returned 21.19% (source: ONE Investment) for the year on a total return basis, which included fees and dividends reinvested. While the ONE Equity Fund holds a different mix of stocks, the ONE Equity Fund benchmarks against the S&P/TSX Index making it a relevant proxy to provide an indication of how the equity holdings of the Town performed. The S&P/TSX, which is a capitalization-weighted index designed to measure market activity of stocks listed on the TSX, returned 31.68%. Although the fund's performance was largely in-line with the index throughout the year, it ended up underperforming the benchmark by 10.49%. This was due to the One Equity Funds portfolio holdings, including a higher weighting on industrials



Discussion

combined with a lower weighting of materials, stock selection and holding a small portion of lower yielding Government Bonds and cash for liquidity.

It is important to note the volatility that may occur within the equity investment portfolio. For example, while the ONE Equity portfolio finished the year with a total return of 21.19%, at one point in April it was down by approximately 10%.



Summary of Portfolio Performance

In 2025, the Town's investment portfolio generated total income of \$17.1 million (includes interest income, amortized premiums or discounts and realized/unrealized gains on equity investment). This represents an increase of \$1.5 million when compared to 2024. Due to a higher than expected portfolio balance and favourable investment opportunities, the overall results were \$4.7 million favourable to budget.

Based on an average portfolio balance of \$450.0 million, the total income of \$17.1 million represents a portfolio return of 3.79% for the year. The average balance is used for the return calculation, as it provides the best measure by incorporating the number of days the balance was held at specific levels during the year. This incorporates the amount and timing of all investment purchases, maturities and sales.



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2025 Portfolio Summary (\$ Millions)					
Investment Type	Book Value at Dec 31	Market Value at Dec 31	Average Balance	Investment Income	Return
Cash ¹	\$49.2	\$49.2	\$146.3	\$4.8	3.26%
Notice Savings Account	31.7	31.7	22.5	0.8	3.48%
Short Term	57.9	57.9	24.4	1.1	4.46%
Long Term	299.0	300.6	253.0	10.0	3.94%
ONE Equity ²	15.5	15.5	3.7	0.5	12.45%
Total³	\$453.3	\$454.8	\$450.0	\$17.1	3.79%

Notes:

1 - Cash represents bank balance(s) and may differ from figure reported on the Year End financial statements due to accruals, etc.

2 - ONE Equity return includes reinvested capital gains and dividends, realized and unrealized gains and ONE FUND management fees.

3 - Figures may not add due to rounding.

Cash / Notice Savings Account

The Town's 2025 year-end cash balance was \$49.2 million and had an average balance of \$146.3 million. The average yield on cash balances for 2025 was 3.26% generating \$4.8 million in interest.

The Town periodically utilizes a Notice Savings Account (savings account that requires advance notice before the funds can be withdrawn in return for a higher interest rate than the Town's general operating account). The 2025 year-end Notice Savings account balance was \$31.7 million and had an average balance of \$22.5 million. The average yield for 2025 was 3.48% generating \$0.8 million in interest.

Short Term Investments

The balance in short term investments (securities with a holding period of one year or less) was \$57.9 at year end. During 2025 the average balance was \$24.4 million which generated \$1.1 million in investment income and returned an average yield of 4.46%.

Long Term Investments

Long term investments had an average balance of \$253.0 million during 2025, generated \$10.0 million in investment income and returned an average yield of 3.94%. At year-end, the Town held 110 securities with a book value of \$299.0 million and a market value of \$300.6 million. This translates into \$1.6 million in unrealized gains due to the slight decline in interest rates (bond prices increase as yields decline) throughout 2025. Consistent with prior years the unrealized gains from fixed income investments have not been included in the investment return figures as the Town generally holds investments until maturity and, therefore, the unrealized book gains will have no impact on investment earnings.



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ONE Equity

As of December 31, 2025 the Town had invested \$15.5 million into the ONE Canadian Equity portfolio and is projected to reach a planned initial investment of \$20 million by early 2026 (see staff report ES-033-25). As the investments were phased in from July onwards the average balance for the year was \$3.7 million, earning \$0.5 million for an annualized return of 12.45% (net of ONE Equity Fund management fees).

The Town reports the equity investment at market value as the value is quoted in an active market. Annual returns may fluctuate due to re-invested capital gains and income, and unrealized gains or losses reported by the fund. A summary is provided in the table below.

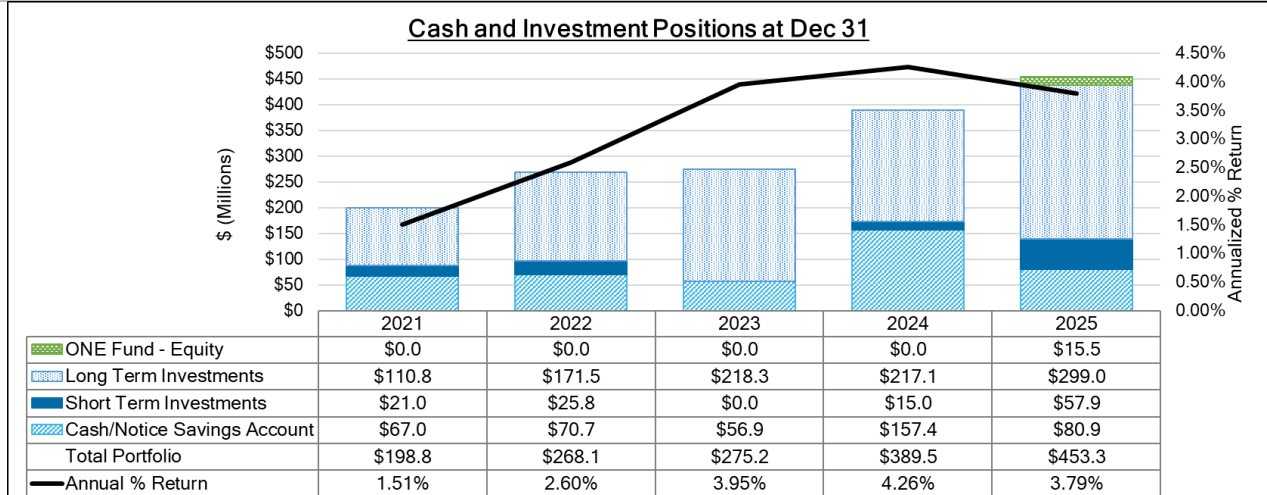
ONE Equity Summary (\$ Millions) as of December 31, 2025		
	2025	Inception to Date
Opening Balance	\$0.0	\$0.0
Purchases	15.0	15.0
Withdrawals	0.0	0.0
Re-invested Capital Gains	1.4	1.4
Re-invested Income	0.3	0.3
Unrealized Gain/(Loss)	(1.2)	(1.2)
Ending Balance	\$15.46	\$15.46

Although the Town made no withdrawals during the year, the ONE Equity portfolio manager actively managed the securities in the portfolio resulting in reinvested capital gains and an unrealized loss. Unrealized gains/losses are reflected in the allocation of investment income to reserves and reserve funds and will be presented in the Annual Financial Statements through a statement of remeasurement gains and losses.

Historical Comparative Portfolio Balances and Returns

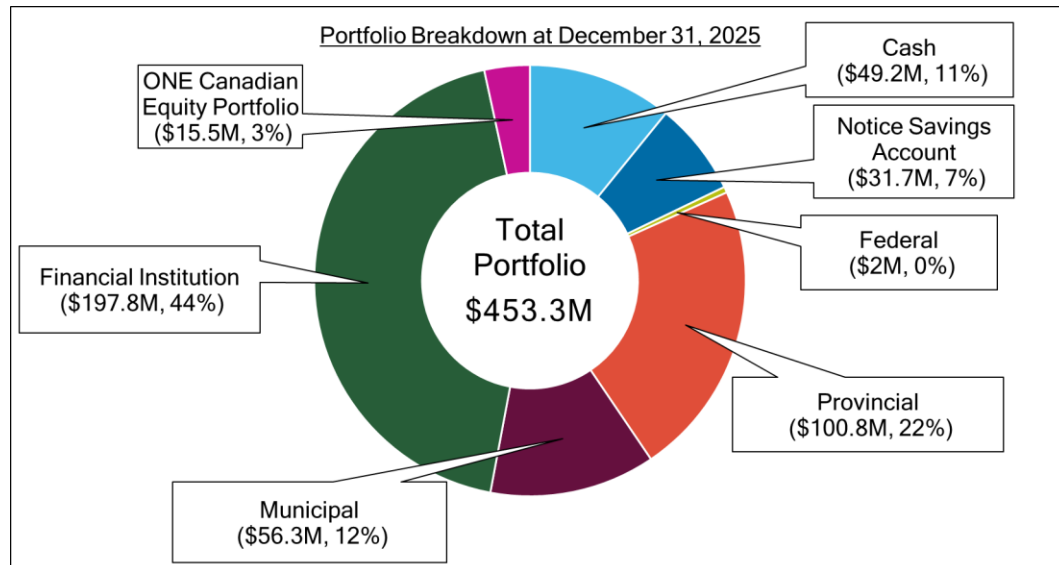
The following chart identifies the historical portfolio balances and returns over the last five years:

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As previously mentioned, in 2025 the Town began to increase its exposure to the equities market through investments in the ONE Canadian Equity Fund. Strategic investments were also made during the year in short terms securities due to favourable investment opportunities.

Portfolio Breakdown and Policy Limits



The Town's Treasury Policy outlines limitations on holdings, expressed as a percentage of the total portfolio as well as identifying the minimum credit rating for securities based on the classification of the issuing organization and the form of investment. A detailed table showing



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investment portfolio holding by category as compared to policy limitations is included in Appendix 1.

All securities held in 2025 satisfied the credit rating requirement. The Town holds \$4.1 million in Region of Halton debentures, representing approximately 0.9% of the total portfolio.

Portfolio Return Comparisons

Direct comparator information and benchmarking is not easily available due to differing calculation methods for investment returns, different portfolio compositions, term structures and investment strategies.

One alternative that is available to municipalities is products offered by the One Investment Fund. Below are the returns for those funds as noted in their December 2025 Performance Report.

One Investment Fund Returns for the Period Ending December 31, 2025			
Portfolio	1 Year	5 Year	10 Year
Canadian Government Bond Portfolio	2.98%	1.33%	1.65%
Canadian Corporate Bond Portfolio	2.92%	0.46%	1.93%
Canadian Equity Portfolio	21.19%	13.72%	11.33%

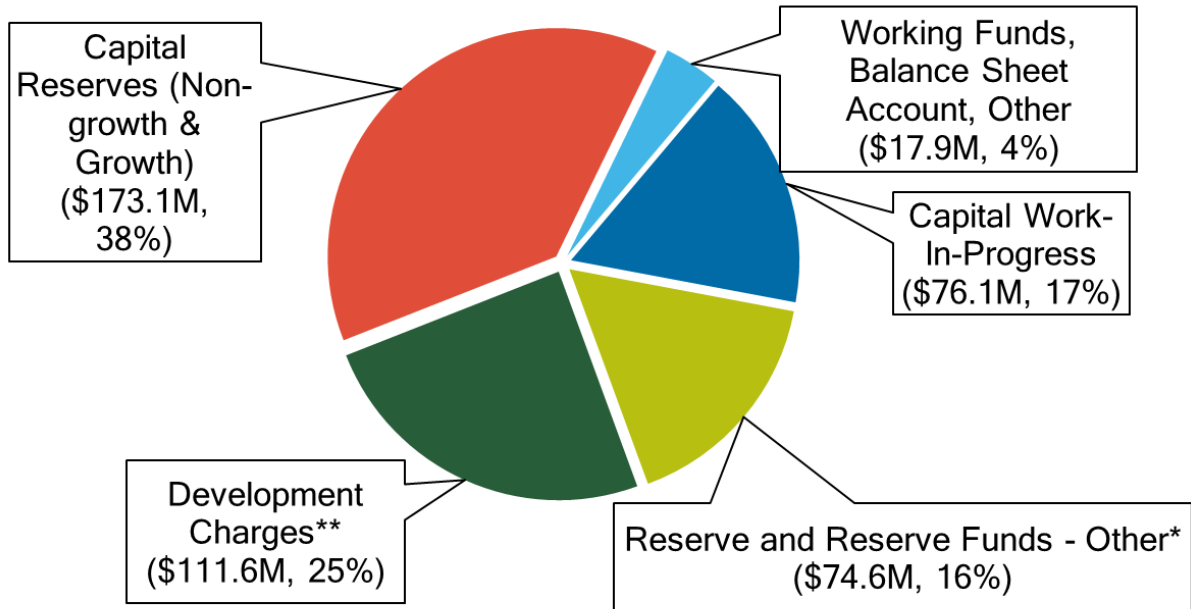
Sources of Funds

The Town's portfolio is comprised of funds held for a variety of purposes, each with its own investment horizon and liquidity needs. As the third priority in Milton's investment policy involves ensuring sufficient cash is available to satisfy the disbursements and obligations of the Town, it is important to remain cognizant of the underlying needs when determining the Town's investment strategy.

The following table summarizes the primary sources of the Town's investment funds at 2025 year end. Although no individual category should be viewed as being entirely correlated to one specific investment timeframe, they have been presented in order of liquidity with the working funds / balance sheet amounts requiring the greatest liquidity (shortest time frame) and the capital reserves generally having a longer investment horizon.

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Composition of Financial Assets at December 31, 2025 (\$453.3M)



* Includes stabilization, corporate, program specific and boards and committees.

** Includes includes the \$33.9 million in Cash Flow Assistance that will be repaid in 2028 and is currently on the Town's Balance Sheet as a Liability.

Sinking Fund

In 2015 the Town approved a \$15 million 30 year sinking fund for a portion of the Town’s contribution to the Hospital. The Hospital sinking fund is held and managed by the Region of Halton, for the purposes of retiring the debt at maturity. As a result, the Town’s portfolio balances exclude the sinking fund and the overall investment income excludes any interest income earned on the sinking fund investments.

For 2025, Milton’s contribution to the sinking fund equaled \$302,726 and \$129,633 in return on investment was achieved by the Region of Halton. As such, the year-end value of the fund was \$3,663,241, which exceeds the originally projected year-end balance.

2026 Outlook

At the beginning of 2026 the Bank of Canada Overnight rate was 2.25%. Major Canadian banks are predicting one or two quarter point increases by the end of 2026, however it will depend on inflation, trade policies, geopolitical risks and economic growth. Staff will continue



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to monitor market conditions for the purposes of making investment decisions while adhering to the objectives of the Town's Treasury Policy No. 116.

Financial Impact

Of the \$17.1 million in investment income in 2025, \$2.2 million was allocated to the Operating budget and the remaining \$14.9 million to reserves and reserve funds in accordance with the 2025 budget allocations, the Town's Treasury Policy No. 116 and the Town's long-term infrastructure funding strategies (as investment earnings are a significant funding source for the Town's annual capital program).

As previously discussed, investment income in 2025 was \$4.7 million favourable to budget. This variance is reflected in higher capital reserve and reserve fund balances and has no immediate impact on the operating budget which limits investment earnings in the event of a significant market adjustment (see Financial Principles Policy No. 110). The revised interest earning amounts in those reserve balances will be incorporated into the capital financing and planning exercises undertaken in 2026.

The internal cost of managing the overall portfolio is in order of 0.04% of the portfolio value and has been included in the 2025 budget. The external management fees (MER) associated with the ONE Equity Investments are approximately 50 basis points which is included in the overall return on the holdings.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Brad Schultz, CPA, CMA

905-878-7252
Ext. 2248

Attachments

Appendix 1 - Investment Portfolio Holdings and Limitations

Approved by CAO



Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.

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Investment Portfolio Holdings and Limitations

Authorized Investments and Limitations as of December 31, 2025 (\$ Millions)										
Category / Sector ⁽¹⁾	Remaining Term			Total	% of Portfolio	Portfolio Maximum	Individual Maximum ⁽²⁾	Term Limitation (Years)	Minimum DBRS Rating ⁽³⁾	
	Less than 1 Year	1 to 5 Years	5 to 10 Years						Short-term	Long-Term
Cash	\$80.90	-	-	\$80.90	18%					
Federal and Federal Guaranteed⁽⁴⁾	\$0.00	-	\$1.99	\$1.99	0%	100%	100%	20	N/A	A (low)
Provincial and Provincial Guaranteed⁽⁴⁾										
Alberta	\$2.01	\$3.12	\$6.02	\$11.15	2%		20%	15	R-1 (low)	A (low)
British Columbia	-	-	\$6.58	\$6.58	1%		20%			
Manitoba	-	\$3.46	\$17.75	\$21.21	5%		20%			
New Brunswick	-	-	\$11.97	\$11.97	3%		20%			
Ontario	-	\$5.43	\$13.15	\$18.58	4%		20%			
Prince Edward Island	-	-	\$0.99	\$0.99	0%		20%			
Quebec	-	\$0.92	\$28.39	\$29.31	6%		20%			
Saskatchewan	-	\$1.03	-	\$1.03	0%		20%			
Provincial and Provincial Guaranteed Sub-total	\$2.01	\$13.96	\$84.85	\$100.83	22.2%	100%				
Municipal and Municipal Guaranteed										
BC Municipal Finance Authority	-	\$3.09	\$5.40	\$8.49	2%		10%	15	R-1 (low)	A (low)
City of Toronto	-	\$0.99	\$3.82	\$4.81	1%		10%			
Regional Municipality of York	-	\$3.28	\$4.27	\$7.56	2%		10%			
Regional Municipality of Peel	\$1.01	-	-	\$1.01	0%		10%			
Laval	-	-	\$2.95	\$2.95	1%		10%			
City of Montreal	\$1.50	\$4.38	\$11.23	\$17.11	4%		10%			
Quebec City	-	-	\$4.81	\$4.81	1%		10%			
Region of Waterloo	-	\$4.42	-	\$4.42	1%		10%			
Region of Halton	-	-	\$4.12	\$4.12	1%		10%			
City of Vancouver	-	\$1.02	-	\$1.02	0%		10%			
Municipal and Municipal Guaranteed Sub-total	\$2.51	\$17.19	\$36.60	\$56.30	12%	50%				
Boards / Schools⁽⁵⁾ Sub-total	\$0.00	\$0.00	\$0.00	\$0.00	0%	15%		15	R-1 (low)	AA(low)
Financial Institution⁽⁶⁾										
Schedule I Bank (Six Majors)								10	R-1 (low)	A(low) ⁽⁸⁾
Bank of Montreal	-	\$13.00	\$28.31	\$41.31	9%		20%			
Bank of Nova Scotia (The)	\$9.00	\$12.71	\$24.74	\$46.44	10%		20%			
Canadian Imperial Bank of Commerce	-	\$10.00	\$2.99	\$12.99	3%		20%			
Royal Bank of Canada	\$1.99	\$18.97	-	\$20.97	5%		20%			
Toronto-Dominion Bank (The)	-	\$14.23	\$3.99	\$18.22	4%		20%			
Schedule I Bank (Six Majors) Sub-total	\$10.99	\$68.91	\$60.03	\$139.93	31%	60%				
Other Sch I, Sch II, Trust Loan, Credit Union								2	R-1 (low)	A(low) ⁽⁸⁾
First Ontario	\$15.90	-	-	\$15.90	3%		10%			
Meridian	\$12.00	-	-	\$12.00	3%		10%			
Duca	\$30.00	-	-	\$30.00	7%		10%			
Other Sch I/Sch II/Trust/Credit Union Sub-total	\$57.90	\$0.00	\$0.00	\$57.90	13%	20%				
Financial Institution Sub-total⁽⁷⁾	\$68.89	\$68.91	\$60.03	\$197.83	44%	60%				
ONE Investment Program⁽⁹⁾										
Canadian Equity Portfolio	-	-	\$15.46	\$15.46	3%		10%	N/A	N/A	N/A
ONE Investment Program Sub-total⁽⁹⁾	\$0.00	\$0.00	\$15.46	\$15.46	3%	25%				
Asset Backed Securities				\$0.00	0%	10%	5%	5	R-1 (high)	AAA
Commercial paper or promissory notes				\$0.00	0%	10%	5%	1	R-1 (mid)	N/A
Total	\$154.31	\$100.06	\$198.93	\$453.30	100%					

Notes:

- (1) Per definitions and regulations under Ontario Regulation 438/97.
- (2) Individual maximum applies to either an individual institution or in the case of the ONE Investment Program it applies to individual portfolios.
- (3) Equivalent ratings from Moody's Investor Services, Standard and Poor's or Fitch Ratings are also acceptable.
- (4) Includes bonds, debentures or other evidence of indebtedness issued or guaranteed by the Government of Canada, or a Province of Canada. A minimum of 10% of the portfolio must be in the Federal or Provincial category.
- (5) Includes a University in Ontario that is authorized to engage in an activity described in section 3 of the Post-secondary Education Choice and Excellence Act, 2000 and a college established under the Ontario Colleges of Applied Arts and Technology Act, 2002.
- (6) Includes bonds, debentures, deposit receipts, deposit notes, certificates of deposit or similar instruments issued, accepted, guaranteed or endorsed by a bank in Schedule I or II or a Credit Union, including bail-in. Six major Schedule I Banks include: Bank of Montreal, Bank of Nova Scotia (The), Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and Toronto-Dominion Bank (The). Credit Unions require financial statements or certification in writing that various financial criteria has been met as outlined in O. Reg. 438/97.
- (7) The overall Financial Institution category shall not exceed 60% of the total portfolio, within this category:
 - i) Aggregate holdings of the Six major Schedule I Banks shall not exceed 60% of the total portfolio; and
 - ii) Aggregate holdings of Schedule II & Other Schedule I Banks not listed above and Trust Loan / Credit Union's shall not exceed 20% of the total portfolio.
- (8) For securities of bonds, debentures, promissory notes or other evidence of indebtedness, issued or guaranteed by a bank listed in Schedule I, II or III to the Bank Act (Canada) with a term-to-maturity less than or equal to 2 years on the day the investment is made, the prescribed minimum credit rating is AA(low).
- (9) The ONE Investment Program provides recommended investment timelines for each fund however funds can be withdrawn with one day's notice and investments in each pool meet eligibility criteria as defined by regulations under the Municipal Act. The Canadian Equity Portfolio is reported at market value at month end.