Capital Regional Hospital District

Appendix A

Market Analysis

Applies to the Capital Regional District (CRD), the Capital Regional Hospital District (CRHD), and the Capital Region Housing Corporation (CRHC)

As part of overall portfolio management, staff regularly monitor market trends and key metrics such as the Bank of Canada overnight interest rate, the Government of Canada bond rates and other market commentary issued by banks and investment brokers. Additionally, the Municipal Finance Authority (MFA) provides regular market commentary on new product developments and based on outlook reports provided by Phillips, Hager & North Investment Management (PH&N).

In 2021, the Bank of Canada held its key overnight constant at 0.25%. For most of 2021, both the short term high-interest savings accounts and short term GICs were offering competitive returns when compared to long-term GICs. The table below presents key indicator rates at December 31 for the period 2018 to 2021:

Table A1: Indicative Market Rates 2018 to 2020

Rate	2018	2019	2020	2021
Bank Of Canada – Overnight Rate	1.25% - 1.75%	1.75%	0.25% - 1.75%	0.25%
HISA	1.96% - 2.46%	2.46%	0.80% - 1.06%	0.80 – 0.95%
RBC – Bank Rate	1.70% - 2.30%	2.30%	0.80% - 2.30%	0.80%
Fixed GIC – 180 day /1 Year (sample)	1.57% / 2.68%	1.68% / 2.30%	0.92% / 1.24%	0.40 – 0.70%

Investment Marketplace

Throughout 2021, HISA rates fell making them less competitive compared to fixed term GIC products. HISA allocations were driven by liquidity needs.

The CRD remains in the queue to invest in the MFA Mortgage Fund, which invests in existing PH&N pooled fund products, providing investment exposure to commercial investment grade mortgages.

The CRD placed $30 million in the MFA introduced a Fossil Fuel-Free Bond Fund (FFF). The FFF Bond Fund invests in securities similar to the existing bond fund except that the FFF option excludes those holdings directly related to non-renewable energy extraction, processing, and transportation. This additional screening is estimated to exclude approximately 4% of the population of investible securities compared to the existing bond fund.

Over the full calendar 2021 year, the MFA Fossil-Fuel-Free Bond Fund (FFF Fund) underperformed the MFA Bond Fund on an annual basis by approximately 0.10% (-0.92% versus -0.82% respectively). This discrepancy was almost entirely due to the difference in corporate exposure between the two portfolios. The FFF Fund held a higher weight to the communications sector, which experienced the most significant widening over the year. Additionally, the FFF Fund had a lower weight in the energy sector, which experienced spread tightening on the back of recovering oil prices. Finally, the FFF Fund held a higher weight to the financial sector, which also experienced spread widening over the year. Cumulatively, these positioning changes resulted in the MFA Bond Fund outperforming the FFF Fund by approximately 0.10% over the full year 2021.

At the end of 2021, the MFA had plans to introduce a Diversified Multi-Asset Class (DMAC) Fund. This DMAC Fund will invest in a diverse universe of securities such as corporate fixed income, common stocks and alternative asset classes such as infrastructure and real estate. The first $15 million CRD investment was placed in the DMAC fund upon its opening by the MFA on January 17, 2022

Staff will assess investment placements in new MFA pooled funds in the future, for the CRD, the CRHD, and the CRHC, as the need to place long-term funds arises.