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**REPORT TO THE FINANCE COMMITTEE
MEETING OF WEDNESDAY, MARCH 04, 2026**

SUBJECT **Capital Regional District Investment Portfolio Holdings and Performance
Annual Update**

ISSUE SUMMARY

To provide an annual update on Capital Regional District (CRD) investment holdings and performance for the period ended December 31, 2025.

BACKGROUND

The CRD invests its operating, capital and reserve funds in accordance with the *Local Government Act, Community Charter* and Board approved Investment Policy (Appendix A). The Investment Policy governs the investment activities of all funds held by the CRD, the Capital Region Housing Corporation (CRHC) and the Capital Regional Hospital District (CRHD). All investment decisions are guided by four fundamental objectives: preservation of principal, liquidity, responsible investing and optimizing return on investment in alignment with policy requirements.

The policy also establishes minimum credit rating thresholds for eligible investments. Currently, investments with chartered banks or savings institutions must carry a minimum rating of R-1 for short-term and A- for long-term investments, as published by major credit rating agencies. These ratings are generally regarded as reflecting strong credit quality and a high degree of safety on investments.

Investment holdings are actively monitored to ensure alignment with the appropriate strategy and evolving economic conditions. The CRD investments include high interest savings accounts (HISA), fixed term guaranteed investment certificates (GICs) and Municipal Finance Authority (MFA) pooled funds. Investment placements and divestitures are aligned with forecasted cashflow requirements.

Investments through 2025 have been made in alignment with the Board approved Investment Policy. Although economic and market conditions drove fluctuations and uncertainty in the portfolio, performance exceeded the benchmark rate, as detailed in the report.

IMPLICATIONS

Financial Implications

Portfolio Holdings

As of December 31, 2025, the CRD investment portfolio totaled \$386.2 million. A detailed listing by investment type is included in Appendix C. Table 1 summarizes the distribution of the portfolio in short and long-term investments.

Table 1: CRD Investment Results – Summary as of December 31, 2025

Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)	240.4	62.2%
Investments Long-Term (more than 2 years)	145.8	37.8%
Total Investments:	\$386.2	100%

As noted in Table 1, the CRD investment portfolio on December 31, 2025, was distributed 62%/38% to short-term and long-term investments respectively. As detailed in the Board approved Investment Policy, products with maturities less than two years are classified as short-term while those greater than two years are classified as long-term.

Performance

The total effective return on investments during 2025 was \$17.4 million, representing a return of 4.5%. Performance was primarily driven by higher interest rates in the first half of the year, positively impacting the returns on HISAs and GICs.

Table 2 summarizes investment income by driver for the last three years.

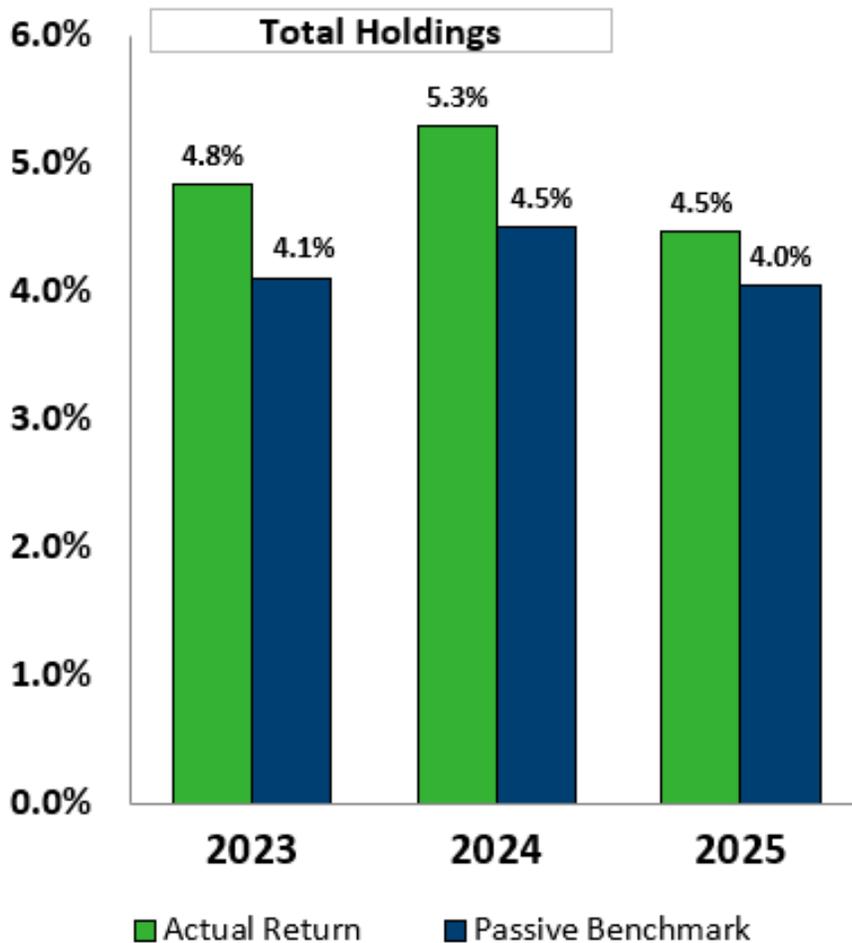
Table 2: Investment Income Three-Year Trend (\$ Millions)

	2023		2024		2025	
Passive Benchmark	4.1%	\$14.9	4.5%	\$16.6	4.0%	\$15.3
Active Management	0.7%	\$2.7	0.8%	\$3.0	0.5%	\$2.1
Total	4.8%	\$17.6	5.3%	\$19.6	4.5%	\$17.4

As shown in Table 2, the passive benchmark approach reflects investment returns that would be achieved without active management. The benchmark is calculated using the weighted average of holdings across investment categories including GICs, HISAs and MFA pooled funds. This methodology provides a more accurate representation of portfolio holdings, accounting for differences in passive investment returns based on their respective category.

Graph 1 provides a summary report on investment returns in 2025.

Graph 1: CRD Investment Results – 2025



In 2025, the Bank of Canada reduced the overnight interest rate four times, lowering the policy rate from 3.25% at the start of the year to 2.25% by October, where it remained through year-end. Additional information can be found in Appendix B.

During 2025, the CRD recorded average monthly cash outflows of \$45.2 million across operating, capital and financing activities. Significant investments were made across several service areas including the \$33.3 million acquisition of the Kapoor Lumber Company lands (with ownership transferring to the CRD in September 2025) to support long-term protection of the region’s primary water supply. Major capital projects were also undertaken at Hartland, including the Renewable Natural Gas initiative and Cell 5 liner project. Additional investments included the Verdier land acquisition (supporting the Rapid Housing Funding Program) and infrastructure renewals and upgrades in Regional Water, Juan de Fuca Water Distribution and Regional Parks.

Strong cash flow forecasting supported active liquidity management throughout the year. Funds were strategically shifted between HISAs and GIC placements as cash requirements evolved, maximizing interest income while maintaining liquidity and compliance with the Investment Policy. Further details are provided in Appendix C.

Socially Responsible Investing Alignment

Investments are considered in alignment with responsible investing objectives when identified as meeting the criteria defined by MFA in their Environmental, Social and Governance Framework (Appendix D). As of December 31, 2025, 29% of the long-term portfolio was invested in socially responsible investment products compared to 28% in the prior year.

CONCLUSION

Overall, the CRD portfolio of investments reflects the four fundamental objectives of safety of principal, liquidity, responsible investment and return on investment. Investments have been made in keeping with requirements under the Investment Policy and investment performance generally exceeded expectations for the year ending December 31, 2025.

RECOMMENDATION

There is no recommendation. This report is for information only.

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ATTACHMENTS

- Appendix A: Investment Policy
- Appendix B: Market Analysis
- Appendix C: Investment Holdings and Performance
- Appendix D: Municipal Finance Authority’s Suite of Pooled Investment Products