

Information Report



Service Area	Office of the Chief Administrative Officer
Date	Friday, August 21, 2026
Subject	2026 Interim Investment Performance Report

Executive Summary

Purpose of Report

To report on the 2026 Interim investment portfolio performance and holdings as required by Ontario Regulation 438/97 of the Municipal Act and City Council's approved [Investment Policy](#).

Key Findings

The City earned investment income of \$17.2 million for the six months ended June 30, 2026 (2025 interim – \$10.4 million), which is largely attributed to a one-time realized gain of \$7.6 million from the strategic redemption of investments. This represents a 5.32 per cent return (2025 interim – 3.53 per cent) for the first six months of 2026 on a total carrying value of the portfolio of \$734.5 million as of June 30, 2026 (2025 interim – \$691.2 million).

The current Bank of Canada's Policy Interest Rate is 2.25 per cent, which has been maintained since October 2025. Despite the lower interest rate environment compared to previous years, the City's investment income increased due to strategic investment decisions and prudently managed investment balances.

Strategic Plan Alignment

Linking to Future Guelph: Strategic Plan 2024-2027 through the theme of Foundations and the objective of maintaining the City's healthy financial position. Higher investment income results in more interest allocated to the City's reserve funds, ultimately maintaining the City's healthy financial position.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

Investment revenue was \$6.8 million higher than 2025 interim investment revenue due to a one-time gain in early 2026 from a strategic decision to redeem three principal protected notes (PPNs), offset by a lower interest rate environment. Further interest rate fluctuations resulting from geopolitical, economic, and other external conditions may lead to variances in short-term interest income.

Report

Details

Ontario Regulation 438/97 of the Municipal Act requires a municipality to adopt a statement of investment policies and goals and requires an investment report to be provided to Council at least annually. This report has been prepared in compliance with this regulation.

The primary objectives of the Investment Policy are as follows:

- adherence to statutory requirements
- preservation of capital
- maintaining liquidity
- earning a competitive rate of return

Provincial legislation requires that the Treasurer submit an investment report to Council each year, or more frequently, as specified by Council. The City's current Investment Policy requires a report on the financial position, investment performance, and compliance status of the portfolio at least twice per year.

Economic (Interest Rate) Analysis

The Bank of Canada's Policy Interest Rate forms the basis of what the market will pay for debt and fixed income investments. The Bank's overnight rate has held steady at 2.25 per cent throughout the first half of 2026. This is comparatively a lower rate than 2025 as the overnight rate began at 3.25 per cent and decreased four times to 2.25 per cent by October 2025.

This lower-rate environment impacts investment decisions in three key areas:

1. Any cash on hand in the City's bank account and HISAs immediately receives a lower interest rate as these interest rates are closely tied to the Bank of Canada rate.
2. Longer-term bonds that mature will be reinvested at the prevailing rates available which are now lower than what was available when initially invested
3. Longer-term investments typically have higher yields than shorter-term investments. Given the significant capital program and forecast updates expected through the 2027 Budget Confirmation process, staff are continually refining the capital cash-flow model to ensure funds are available when required to support planned capital spending, while also investing funds to achieve the highest possible returns.

Staff continue to monitor the investment portfolio, reinvest maturities in alignment with timing of planned expenditures, and diversify holdings where possible.

Statement of Performance

Interim results are based on returns for the first six months of the year and are annualized to estimate a full-year rate of return. The final rate of return will not be known until the 2026 year-end when all transactions have been recorded.

Total investment income for the six months ended June 30, 2026 was \$17.2 million, which represents a return of 5.32 per cent. This is an increase of \$6.8 million compared with the same period in 2025 when the investment income was \$10.4 million, and the rate of return was 3.53 per cent. Tables 1 and 2 summarize the

investment portfolio and returns for June 30, 2026 and 2025, respectively. When normalizing for the one-time realized gain on PPNs of \$7.6 million, the annualized return is 4.11 per cent. Table 3 provides a five- year overview of annual returns.

Table 1-Investment Portfolio June 30, 2026 (rounded)

June 30, 2026	Closing Balance (\$)	Average Balance (\$)	Income (\$)	Return (%)
Cash and Savings Accounts	168,600,000	105,300,000	1,400,000	2.66%
High Interest Savings Account	285,600,000	273,800,000	4,000,000	2.97%
Long Term Investments	187,800,000	183,900,000	10,400,000	11.42%
Investment Pools and Managed Funds	92,500,000	91,600,000	1,400,000	3.12%
Total	734,500,000	654,600,000	17,200,000	5.32%

Table 2-Investment Portfolio June 30, 2025 (rounded)

June 30, 2025	Closing Balance (\$)	Average Balance (\$)	Income (\$)	Return (%)
Cash and Savings Accounts	177,600,000	78,700,000	1,200,000	3.15%
High Interest Savings Account	157,100,000	95,500,000	1,700,000	3.59%
Long Term Investments	266,800,000	327,800,000	6,200,000	3.80%
Investment Pools and Managed Funds	89,700,000	88,700,000	1,300,000	2.83%
Total	691,200,000	590,700,000	10,400,000	3.53%

Table 3-Five year Annual Portfolio Returns

Year	Portfolio Return
December 31, 2022	2.11%
December 31, 2023	3.44%
December 31, 2024	4.59%
December 31, 2025	3.56%
December 31, 2026 (annualized)	4.11%*
Five-Year Average	3.56%

*Annualized return calculated after adjusting for the timing of the one-time realized gain from the redemption of PPNs. Actual year-end returns may differ depending on market conditions and investment activity during the remainder of 2026.

Over the past five years, investment returns have reflected changing interest rate conditions, including historically low rates during the pandemic period and higher rates in more recent years. The volatility in year-over-year returns largely reflects the Bank of Canada's rate-cutting cycle combined with two one-time gains in 2024 equity disposition and 2026 PPN redemptions. When viewed over a multi-year period, the City's investment performance demonstrates stable, policy compliant returns that balance liquidity, capital preservation, and income generation.

Cash and savings accounts total \$168.6 million and include the City's general bank account and balances in chequing and cash accounts. As at June 30, the cash balance was above the target balance for these accounts due to the timing of the \$26 million debenture cash proceeds from June 1 and property tax due date at the end of June.

HISA balances totaled \$285.6 million and the accounts offer higher returns than the general bank account with similar liquidity. Surplus short-term cash has historically been placed in HISAs to earn higher returns than the City's daily chequing account and to provide liquidity compared to locking in fixed-income investments. This is shown in the higher returns on the HISA accounts compared with the returns on the cash and savings accounts.

Long-term investments totaled \$187.8 million. These products help smooth interest rate fluctuations, helping the average portfolio return remain higher during periods of declining interest rates and holding returns lower as interest rates go up. The largest holdings are invested with Schedule 1 banks mostly in the form of Guaranteed Income Certificates (GICs) and bonds.

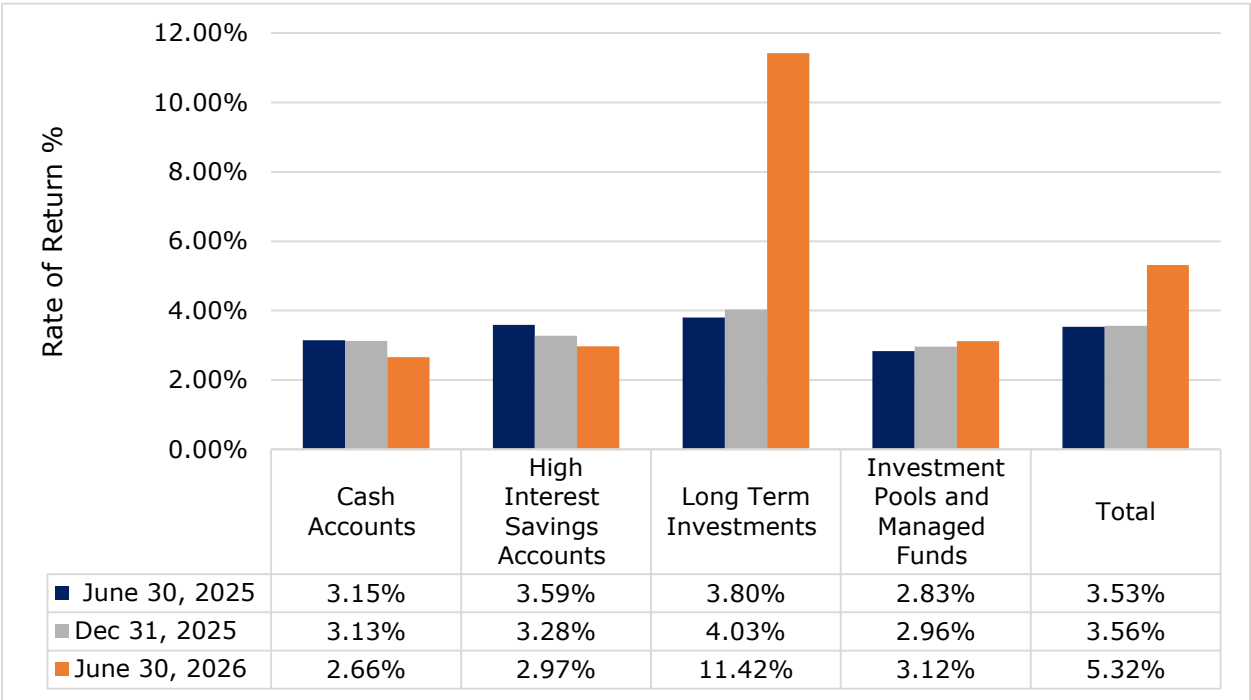
The City invested in three PPNs in 2021, totaling \$32.0 million. The variable component of these investments performed well and provided the City with an opportunity to strategically exit these positions prior to maturity. The City divested early and realized a gain of \$7.6 million in early 2026, which is reflected in long-term investment returns. The PPN principal balances were subsequently reinvested for the same amounts and respective term lengths, resulting in increased fixed

coupon rates. As of June 30, 2026, the reinvested PPNs had unrealized gains, however, these gains are not reflected in investment income and remain subject to market fluctuations until the notes are sold or mature.

Investment pools and managed funds total \$92.5 million and include \$70.5 million of holdings in the ONE Corporate Bond Fund and \$22.0 million of actively managed funds by Royal Bank of Canada (RBC). The ONE Corporate Bond Fund has unrealized losses, which are not reported in the return until sold. Unrealized losses remain from prior periods when bond yields rose sharply however, as interest rates declined in 2024, 2025 and continued to remain low in the first half of 2026, these losses have begun to stabilize.

The chart below outlines the investment return trend by investment type for the first half of 2026 and compared with the returns in 2025:

Figure 1-Rate of Return Comparison (June 30, 2025, December 31, 2025, June 30, 2026)



Compliance with Investment Policy

The City has managed its investment portfolio in accordance with Ontario Regulation 438/97 of the Municipal Act and in accordance with City Council’s approved Investment Policy.

There is one exception to the City’s Investment Policy:

- 1. The City has 30 holdings in loan and trust companies totaling \$1.2 million with a term longer than one year. The City policy restricts these holdings to terms of one year or less. These holdings were not purchased directly by the City but were part of the RBC managed portfolio. These investments are still permitted by the Municipal Act which does not mandate a term limit for these investments.

Staff will consider a policy change to align with the Municipal Act through future Investment Policy updates.

As noted, the policy exception is permitted by the Municipal Act, but the City's internal Investment Policy is more restrictive and requires this disclosure.

The list of policy exceptions is outlined in Attachment-4 Investment Policy Limit Exceptions.

Financial Implications

Total investment revenue was \$6.8 million higher than in the same period in 2025 due to a one-time gain of \$7.6 million from the strategic redemption of three PPNs prior to maturity, offset by a lower interest rate environment.

Investment income is sensitive to broader economic and financial conditions, including monetary policy decisions, geopolitical events, inflation trends, and global capital markets. As a result, short term variations in investment returns are expected year over year. Staff actively monitor these external factors and manage the investment portfolio to balance liquidity, risk, and return, while ensuring funds remain available to support the City's operating needs and approved capital program.

Investment income plays an important role in the City's financial sustainability by reducing the amount of revenue required from property taxes and user fees to fund municipal services, and by increasing the value of reserve and reserve fund balances used to finance future capital projects.

Investment income is projected to be higher than budgeted in-year. Short-term investment income contributes to the annual operating surplus or deficit and is detailed in the upcoming 2026 Second Quarter Budget Monitoring Report. Income earned on long-term investments continues to be allocated directly to the City's reserve funds, strengthening the City's long-term financial position and its ability to fund capital infrastructure over time. The impact of investment income on reserve and reserve fund balances will be reported as part of the City's year-end reserve and debt reporting.

Consultations

None.

Attachments

Attachment-1 2026 Interim Statement of the Treasurer

Attachment-2 2026 Interim Investment Performance Report

Attachment-3 Investment Portfolio by Security Type

Attachment-4 Investment Policy Limit Exceptions

Departmental Approval

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Attachment-1 - 2026 Interim Statement of the Treasurer

Investment Reporting Requirements

These investment reporting requirements are in accordance with Ontario Regulation 438/97 of the Municipal Act, 2001.

1. Statement of Performance

The City of Guelph has earned an average return of 5.32 per cent on its investments and cash for the 6 months ended June 30, 2026.

2. Investments in Own Securities

The City of Guelph has \$1,934,666 in book value invested in its own long-term securities.

3. Record of Own Security Transactions

As described above, the City has \$1,934,666 invested in its own long-term securities. The details of these securities are outlined below:

- \$968,725 - City of Guelph - 2.56 per cent yield, Maturing July 11, 2032
- \$965,941 - City of Guelph - 2.65 per cent yield, Maturing July 11, 2033

Statement of Treasurer

I, Shanna O'Dwyer, General Manager, Finance and City Treasurer for the City of Guelph, hereby state that:

All investments have been made in accordance with the O.R. 438/97 and the City's Investment Policy, with the following exception:

- The amount invested in **Loan or Trust Companies** with a term longer than 1 year is \$1,184,100 (maximum term per approved investment policy is 1 year for this category).

Further details of these investments can be found in Attachment-4 – Investment Policy Limit Exceptions.

Attachment-2 - 2026 Interim Investment Performance Report

Table 1-Investment Portfolio by Maturity Date

Issuer of Security	Yield	Maturity Date	ST/LT*	Book Carrying Value as of June 30, 2026	Months to Maturity
Cash, Savings, HISA Accounts	2.89%	Liquid	ST	454,231,462	-
BMO Commercial	5.53%	14-Aug-26	ST	5,000,000	1
CIBC	0.00%	23-Sep-26	ST	500,000	2
BMO Commercial	1.70%	25-Sep-26	ST	10,000,000	2
CIBC	4.30%	6-Nov-26	ST	12,412,373	4
BMO Commercial	5.36%	9-Nov-26	ST	18,000,000	4
Province of Ontario	5.27%	2-Dec-26	ST	1,652,602	5
CIBC	3.25%	6-Jan-27	ST	15,000,000	6
CIBC	3.25%	6-Jan-27	ST	19,922,800	6
CIBC	2.95%	7-Jan-27	ST	3,784,435	6
Region of Waterloo	1.61%	16-Apr-27	ST	2,857,274	9
CIBC	3.01%	15-May-27	ST	2,125,482	10
CIBC	0.00%	23-Sep-27	LT	500,000	14
Region of Waterloo	1.79%	16-Apr-28	LT	2,904,772	21
City of London	1.73%	5-Jun-28	LT	1,711,433	23
CIBC	2.76%	7-Jul-28	LT	3,799,405	24
CIBC	0.00%	25-Sep-28	LT	500,000	26
CIBC	2.48%	24-Sep-29	LT	11,933,156	38
CIBC	4.04%	7-Jan-30	LT	8,966,072	42
CIBC	0.00%	4-Feb-30	LT	500,000	43
City of London	1.85%	5-Jun-30	LT	844,000	47
CIBC	4.28%	7-Jan-31	LT	3,450,900	54
TD Bank	2.00%	19-Mar-31	LT	12,000,000	56
Province of BC	2.10%	23-Feb-32	LT	4,207,698	67
TD Bank	2.20%	19-Mar-32	LT	10,000,000	68
Region of Waterloo	2.35%	16-Apr-32	LT	1,883,442	69
City of Guelph	2.56%	11-Jul-32	LT	968,725	72
Hydro Quebec	2.27%	15-Feb-33	LT	8,688,354	79
TD Bank	2.40%	19-Mar-33	LT	10,000,000	80
City of Guelph	2.65%	11-Jul-33	LT	965,941	84
Hydro Quebec	1.96%	16-Jan-35	LT	3,777,089	102
Region of Waterloo	2.73%	16-Apr-36	LT	2,079,867	117
Province of Ontario	2.11%	2-Dec-39	LT	5,585,497	161
Province of BC	1.97%	18-Jun-40	LT	1,239,960	167
Total				\$641,992,739	

Table 2-Investment Pools and Managed Funds

Issuer of Security	Yield	Maturity Date	ST/LT*	Book Carrying Value as of June 30, 2026	Months to Maturity
One Corporate Bond Fund	2.99%	Liquid	LT	70,548,660	N/A
RBC Managed Account	3.53%	Liquid	LT	21,916,547	N/A
Total				\$92,465,207	

Table 3-Total Book Carrying Value as of June 30, 2026

Total				\$734,457,946	
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*For the purpose of this attachment, ST is defined as expecting to hold for <= 12 months and LT > 12 months

Attachment-3 – Investment Portfolio by Security Type

Table 1: Investment Portfolio by Security Type

Securities	Investment Value \$	Percentage of Holdings	Policy Maximum Portfolio Limit
Cash and HISA accounts	454,231,462	61.85%	100%
Federal			
Government of Canada			100%
Federal Guarantees			50%
Provincial Governments and Provincial Guarantees	25,151,200	3.42%	75%
Country Other than Canada			5%
Municipal			
City of Guelph	1,934,666	0.26%	50%
Other Municipalities & OSIFA – AAA & AA	12,280,788	1.67%	50%
Other Municipalities & OSIFA – A			10%
School Board, Ont. University, Local Board, Conservation Authority, Public Hospital, Housing Corp.			20%
Financial Institutions			
Schedule I Banks	168,450,280	22.94%	75%
Schedule II and III Banks			25%
Credit Unions			10%
Loan or Trust Corporations	1,860,890	0.25%	5%
Supranational Financial Institution or Government Organization			25%
Corporate Debt			25%
Commercial Paper			15%
Joint Municipal Investment Pools - Corporate Bonds	70,548,660	9.61%	40%

Securities	Investment Value \$	Percentage of Holdings	Policy Maximum Portfolio Limit
Joint Municipal Investment Pools - Government Bonds			40%
Joint Municipal Investment Pools – Equity			20%
TOTAL	\$734,457,946	100.00%	

Attachment-4 – Investment Policy Limit Exceptions

Table 1-Investment Policy Limit Exceptions

QTY	Instrument Description	Cost	Maturity Date	Months to Maturity	Policy Limit (Months)
1	BMO MORTGAGE CORP	15,186	7/20/2027	12	10
1	BMO MORTGAGE CORP	39,163	7/28/2027	12	10
1	BMO MORTGAGE CORP	5,073	7/28/2027	12	10
1	RBC MORTGAGE CORP	25,428	8/9/2027	13	10
1	RBC MORTGAGE CORP	35,461	8/16/2027	13	10
1	RBC MORTGAGE CORP	18,368	8/26/2027	13	10
1	MONTREAL TRUST CDA	29,726	9/7/2027	14	10
1	NATCAN TRUST COMPANY	101,374	9/13/2027	14	10
1	MONTREAL TRUST CDA	75,937	9/14/2027	14	10
1	BMO MORTGAGE CORP	101,786	9/20/2027	14	10
1	RBC MORTGAGE CORP	4,873	9/20/2027	14	10
1	ROYAL TRUST COMPANY	79,912	9/23/2027	14	10
1	BMO MORTGAGE CORP	101,576	10/28/2027	15	10
1	NATCAN TRUST COMPANY	39,220	10/28/2027	15	10
1	BMO MORTGAGE CORP	48,163	11/1/2027	16	10
1	RBC MORTGAGE CORP	119,109	11/1/2027	16	10
1	ROYAL TRUST CORP	119,109	11/1/2027	16	10
1	NATCAN TRUST COMPANY	6,625	11/24/2027	16	10
1	ROYAL TRUST COMPANY	7,062	12/15/2027	17	10
1	ROYAL TRUST CORP	16,724	1/4/2028	18	10
1	NATCAN TRUST COMPANY	10,154	1/5/2028	18	10
1	MONTREAL TRUST CDA	8,091	1/11/2028	18	10
1	BMO MORTGAGE CORP	16,734	2/1/2028	19	10
1	ROYAL TRUST COMPANY	4,911	2/28/2028	19	10
1	ROYAL TRUST CORPORATION	59,703	6/26/2028	23	10
1	MONTREAL TRUST CDA	11,617	10/26/2028	27	10
1	BMO MORTGAGE CORP	31,280	11/2/2028	28	10
1	MONTREAL TRUST CDA	10,345	11/7/2028	28	10
1	ROYAL TRUST COMPANY	10,387	12/1/2028	29	10
1	BMO MORTGAGE CORP	31,003	1/3/2029	30	10

QTY	Instrument Description	Cost	Maturity Date	Months to Maturity	Policy Limit (Months)
30	Total Trust and Loan Holdings	\$1,184,100			