



To: Directors of Housing York Inc. Board

Meeting Date: June 5, 2025

From: Lisa Gonsalves, President, Housing York Inc.
Karen Antonio-Hadcock, General Manager, Housing York Inc.
Ellen Boudreau, Chief Financial Officer, Housing York Inc.

Re: **Housing York Inc. 2024 Investment Update**

This memorandum highlights Housing York Inc. (HYI) investment activities for the period of January 1, 2024 to December 31, 2024.

Housing York Inc.'s investments generated a positive return

As of December 31, 2024, HYI's portfolio had a book value of \$43.9 million including \$20.3 million in cash on deposit (compared with \$50 million including \$24.5 million in cash on deposit in 2023). HYI's portfolio generated investment income of \$1.8 million in 2024 for an annualized return of 4% (compared with \$1.6 million or 3.79% in 2023).

Housing York Inc.'s investments adhere to the Region's Investment Policy No. [2017-01](#), which was approved by the Board as a Revised Investment Policy in [March 2019](#)

York Region's Treasury Office manages the Region's surplus funds and financing needs and acts as the investment manager for HYI. As investment manager, Treasury Office develops strategies that meet HYI's investment objectives, risk tolerance and cash flow needs. The policy sets out objectives of the investment program, listed below in priority order:

- Preservation of capital
- Maintaining liquidity
- Earning a competitive rate of return

The Investment Policy also establishes permitted investments to consist of fixed income securities, cash and short-term investments and investment in pooled funds and establishes a target mix for each category. All investments are held separate from the Region's own General Fund and reflect the term and credit exposures aligned with HYI's investment profile. HYI and the Treasury Office meet quarterly to review HYI's investments, market conditions and strategy.

An annual consolidated investment update is presented to inform the Board on securities held, maturities, investment returns, comparison to established benchmarks, market conditions, prevailing investment strategy and adherence to the Investment Policy.

Bond yields decreased in response to Bank of Canada’s interest rate cuts

The Bank of Canada raised interest rates significantly in 2022 and 2023 to reduce high inflation, which fell from 8.1% in June 2022 to 2.9% in January 2024. Starting in June 2024, the Bank began cutting rates, reducing them by a total of 175 basis points by the end of the year. These rate changes caused market volatility, with bond yields generally decreasing from June to December 2024. The yields on two-year and five-year Government of Canada bonds converged as rates dropped as illustrated in Figure 1.

Figure 1
Government of Canada 2-Year and 5-Year Bond Yields
2024



Housing York Inc.’s 2024 investment strategy benefitted from higher interest rates on bank account balances

Given continued high interest rates offered on bank account balances in 2024, a significant portion of cash was maintained in HYI’s bank account to benefit from elevated interest rates compared to bond yields. This approach ensured liquidity and minimized risk while earning a competitive return. Additionally, it provided flexibility to quickly capitalize on other investment opportunities as market conditions evolved. Higher interest on bank balances and lower bond yields resulted in a shift from the target asset mix in 2024 for investments with terms under five years.

Table 1 provides a summary of the 2024 target asset mix guidelines compared to the actual mix as of December 31, 2024.

Table 1
2024 Target and Actual Asset Mix

Term	Min %	Max%	Target Mix %	Actual Mix %
< 1 Year	20%	80%	35-45%	62%
1 to 3 Years	0%	70%	20-30%	18%
3 to 5 Years	0%	50%	13-25%	7%
> 5 Years	0%	30%	10-20%	13%

In 2024, no investments were purchased, but there was a single redemption totaling \$2 million. The weighted average term of HYI's portfolio is approximately two years at year end. The average credit rating of securities held is AA. Table 2 provides a breakdown of HYI's portfolio holdings.

Table 2
HYI Portfolio Holdings
as of December 31, 2024

Type	Buy Yield	Purchase Year	Maturity Year	Face Value (\$)	Book Value (\$)	Market Value (\$)
Cash	3.70%			\$20,280,182	\$20,280,182	\$20,280,182
Bond	1.17%	2021	2025	2,000,000	2,017,091	2,000,040
Bond	3.32%	2022	2025	3,000,000	2,993,413	2,996,730
Bond	1.24%	2021	2025	2,000,000	2,046,297	2,018,180
Bond	3.75%	2022	2026	1,000,000	979,216	989,540
Bond	3.93%	2022	2026	2,000,000	1,954,272	1,981,600
Bond	3.75%	2022	2026	1,000,000	980,419	990,800
Bond	4.41%	2023	2027	2,000,000	1,915,405	1,977,620
Bond	3.31%	2022	2027	2,000,000	1,967,058	1,980,280
Bond	4.17%	2023	2028	3,000,000	2,879,369	2,983,290
Bond	4.08%	2022	2030	2,300,000	2,074,689	2,161,494
Bond	3.42%	2022	2032	2,000,000	1,971,352	1,950,860
Bond	4.40%	2023	2033	2,000,000	1,880,516	1,977,480
Total	3.55%*			\$44,580,182	\$43,939,279	\$44,288,096

*Note 3.55% is a weighted average portfolio yield

Housing York Inc.'s portfolio earned a realized return of \$1,767,373 or 4% in 2024

In 2024, the HYI investment portfolio generated realized returns of \$1,767,373 (versus \$1,617,513 in 2023) on an average portfolio balance of \$44.1 million. This equates to a realized rate of return of 4% (versus 3.79% in 2023).

Realized returns include actual interest income, dividend earnings and realized capital gains resulting from the sale of securities. These returns are referred to as “realized” as they represent all cash income realized and are credited to HYI’s reserves and other accounts.

Another method of calculating investment performance is referred to as mark-to-market returns (also known as total returns). Mark-to-market investment returns include the same components as realized returns, but also consider any change in the market value of securities held from one period to the next.

This change in market value (due to the change in interest rates) is not realized in the form of cash income, but rather is potential gain or loss if all investments being held are liquidated on the date of the calculation, which for the purpose of this report was December 31, 2024.

As noted above, mark-to-market adjustments include the period over period change in the market value of the securities held in the portfolio. Bond prices are inversely related to interest rates. When interest rates rise, bond prices decrease, and conversely, when interest rates fall, bond prices increase. As indicated in Figure 1 above, interest rates experienced volatility after the Bank of Canada’s first cut in June. Bond yields trended lower from the beginning of June to the end of December. The five-year Government of Canada benchmark bond dropped by 60 basis points during this period accompanied by some significant fluctuations in yields.

This decline in interest rates resulted in a favourable mark-to-market adjustment, as summarized in Table 3, bringing total returns to 4.96%.

Table 3
HYI Portfolio Comparison of Realized vs Mark-to-Market Returns
2022 to 2024

Year	Average Assets	Realized		Mark-to-Market		
		Income	Return	Adjustments	Income	Return
2024	\$44,137,848	\$1,767,373	4.00%	\$423,890	\$2,191,263	4.96%
2023	\$42,838,618	\$1,617,513	3.79%	\$739,868	\$2,357,381	5.50%
2022	\$38,250,414	\$812,273	2.13%	\$(754,840)	\$57,433	0.15%

Housing York Inc.'s portfolio outperformed its benchmarks

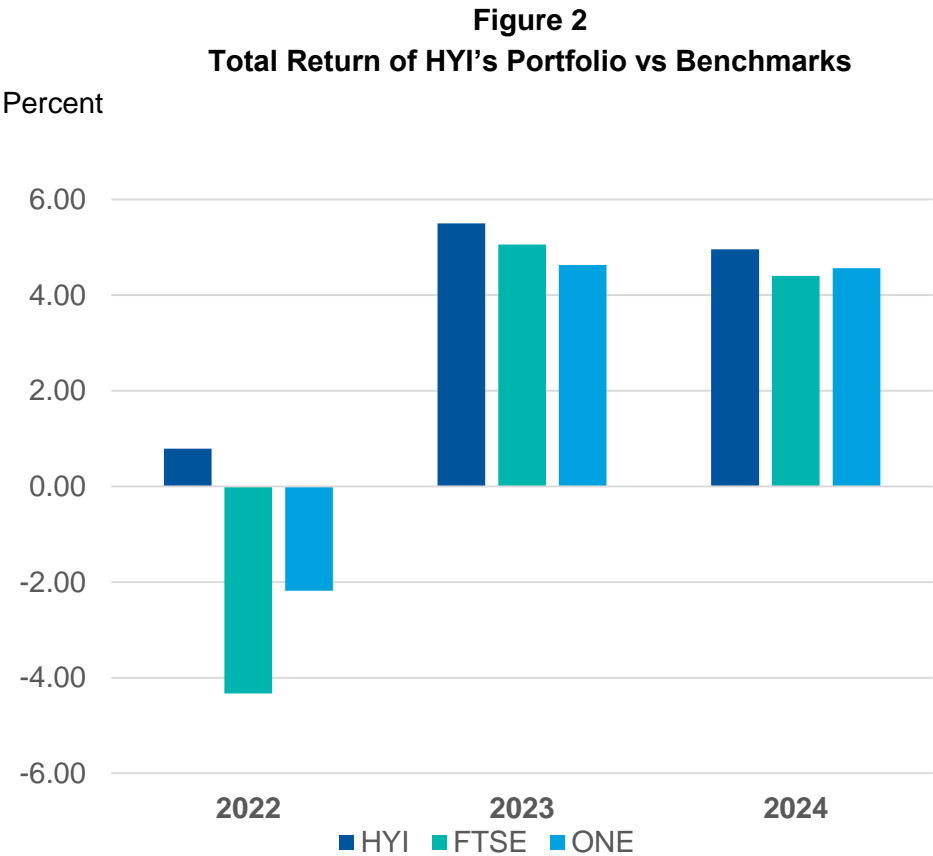
The investment performance of HYI’s portfolio is compared to two different types of benchmarks: a managed fund benchmark and an index fund benchmark. Both benchmarks are

used by the Region and considered fair references, as they reflect the nature and scope of HYI’s investment policy.

The managed fund benchmark is represented by the weighted composite returns of the ONE Investment Program’s Money Market, Bond, and Equity portfolios. Each of these funds is professionally managed by a different investment management firm selected and monitored by the ONE Investment Program. The 2024 return of the ONE Fund was 4.56% (versus 4.63% in 2023).

The index fund benchmark HYI measures its performance against is the Financial Times Stock Exchange (FTSE) Capital Markets Group. The 2024 return of the FTSE was 4.4% (versus 5.06% in 2023).

Figure 2 shows HYI’s 2024 total return compared to the FTSE and the ONE Fund. HYI’s total return exceeded the FTSE by 56 basis points and the ONE Fund by 40 basis points.



Note: the realized return for the HYI investment portfolio was 4% in 2024.

Housing York Inc.'s 2025 investment strategy is to continue to look for opportunities to enhance investment returns while maintaining adequate liquidity

The year ahead is posed to be challenging for investors. The United States Government plans to implement tariffs on their major trading partners to reduce trade deficits has caused uncertainty in the markets. The effect of tariffs is inflationary by nature but, they will have a negative impact on gross domestic product with some sectors of the economy being affected more than others.

The 2025 investment plan will be fluid depending on the outcome of tariff implementation by the United States Government and retaliatory tariffs by the Canadian Government, the length of the tariff dispute, as well as policy rate decisions by the Bank of Canada. Given current market uncertainty and potential impact of tariffs, whether driving inflation higher or increasing the risk of recession, it is prudent to manage portfolio risk strategically. Allocating a portion of the cash balance to long-term investments can help hedge against declining interest rates, while maintaining a slightly larger cash reserve provides flexibility to capitalize on a potential upward shift in rates.

Investment of any cash balances or reinvestment of maturing investments will be based on current markets, the shape of the yield curve, future interest rate expectations and absolute interest rate levels. Table 4 summarizes the 2025 target asset mix and the proposed average term extension to 3.5 years.

Table 4
2024 Versus 2025 Target Asset Mix

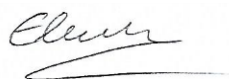
Term	2024 Actual Mix %	2025 Target Mix %
< 1 Year	62%	30-40%
1 to 3 Years	18%	20-30%
3 to 5 Years	7%	15-25%
> 5 Years	13%	10-20%
Average Term	2.0 years	3.5 years

The impact of this change in the term target mix is expected to continue the improving investment return pattern experienced over the past three years. Table 5 provides a year-over-year comparison of the investment program highlighting these improved results.

Table 5
HYI Investment Program
Year-Over-Year Comparison

	2022	2023	2024
Portfolio Balance (\$millions)	\$37.9	\$50.0	\$44.0
Realized Return (%)	2.13%	3.79%	4.00%
Realized Return (\$)	\$ 812,273	\$ 1,617,513	\$ 1,767,373
Average Term in Years	2.2 years	2.0 years	2.0 years
Average Credit Quality	AA	AA	AA

For more information on this memorandum, please contact Ellen Boudreau, Chief Financial Officer, Housing York Inc., 1-877-464-9675 ext.71282. Accessible formats or communication supports are available upon request.



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