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To: Directors of Housing York Inc. Board  
Meeting Date: April 16, 2026  
From: Lisa Gonsalves, President, Housing York Inc.  
Jody DeGagne, General Manager, Housing York Inc.  
Ellen Boudreau, Chief Financial Officer, Housing York Inc.  
Re: **Housing York Inc. 2025 Investment Update**

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This memorandum highlights Housing York Inc. (HYI) investment activities for the period January 1, 2025, to December 31, 2025.

### **Housing York Inc.'s investments continued to generate positive returns**

As of December 31, 2025, HYI's portfolio had a book value of \$42.2 million, including \$9.7 million in cash on deposit (compared with \$43.9 million and \$20.3 million, respectively, in 2024). HYI's portfolio generated investment income of \$1.9 million in 2025 for an annualized return of 3.37% (compared with \$1.8 million or 4.0% in 2024).

HYI's cash balance decrease of \$10.6 million was driven by declining bond yields resulting from Bank of Canada interest rate cuts, which reduced the attractiveness of holding cash relative to longer term investments. As the yield curve steepened, HYI strategically redeployed cash into longer term securities to lock in better value.

### **Housing York Inc.'s investments adhere to the Region's Investment Policy**

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, in priority order:

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

[Investment Policy 2017-01](#), approved by the Board as a revised policy [March 2019](#), defines permitted investments as fixed income securities, cash, and short-term investments, 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 Treasury Office meet quarterly to review HYI’s investments, market conditions, and strategy.

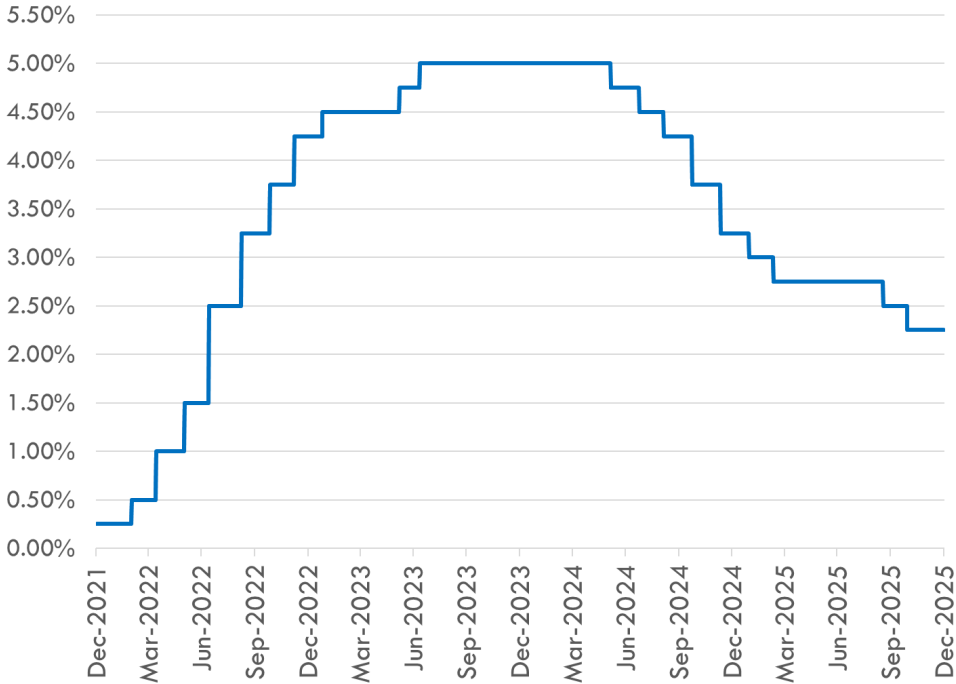
An annual consolidated investment update is presented to inform the Board on securities held, maturities, investment returns, comparison to established benchmarks, market conditions, prevailing investment strategy, and adherence to the Investment Policy.

**Bank of Canada continued to cut policy interest rate as economy slowed in 2025**

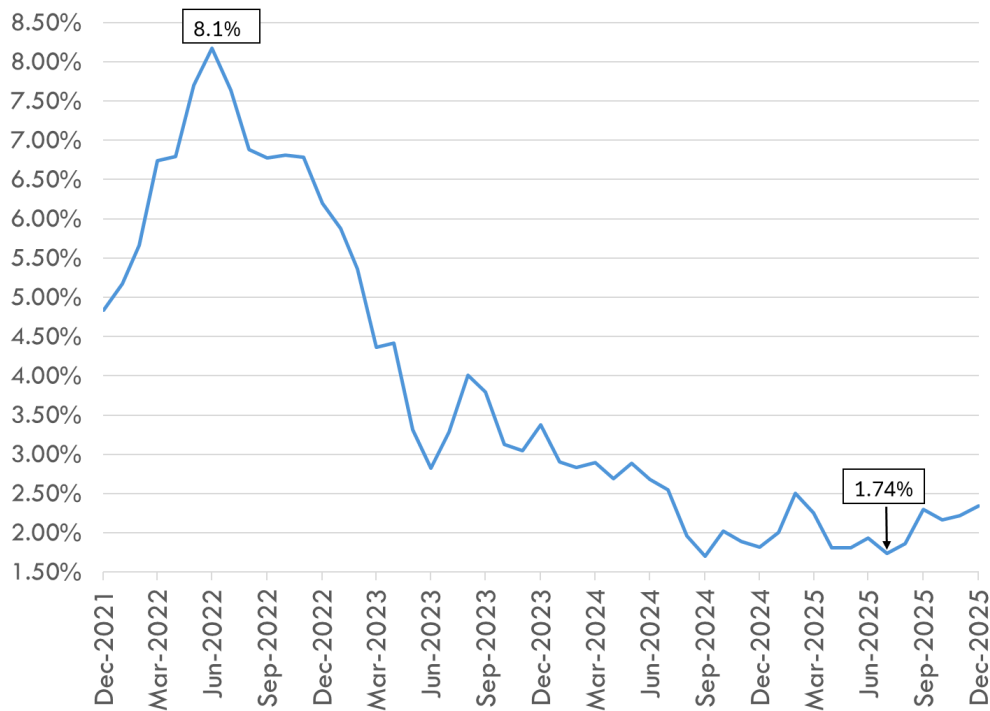
The Bank of Canada (BoC) cut its policy interest rate four times throughout 2025. Each cut was 25 basis points in January, March, September and October. These moves pushed the overnight rate down from 3.25% to 2.25% over the year, as illustrated in Figure 1. BoC’s first two cuts were driven by slowing economic momentum and persistent uncertainty, particularly from external pressures such as the ongoing United States-Canada trade tensions and tariffs. While headline inflation was near the 2% target, as illustrated in Figure 2, some core inflation measures and wage pressures showed mixed signals. Lowering rates were intended to balance modest demand and set the path toward stable inflation. By late summer and early fall, the economic backdrop had shifted enough to prompt further easing.

To better position the portfolio for a rate cutting environment, cash was deployed into longer dated bonds at various intervals to secure higher yields.

**Figure 1  
Bank of Canada Overnight Lending Rate  
2022 to 2025**



**Figure 2**  
**Statistics Canada Consumer Price Index (CPI)**  
**2022 to 2025**



BoC noted gross domestic product contracted in the second quarter and growth was weak overall, with declining exports and subdued business investment weighing on the economy. The effects of U.S. tariffs had become more pronounced in sectors such as automotive and commodities, dampening export volumes and investment. Employment gains were limited, and unemployment remained elevated, indicating slack in the labour market.

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

In 2025, the Canadian government bond yield curve shifted noticeably, especially at the 2-year and 5-year maturities (Figure 3). Short-term yields, including 2-year, fell over the course of the year in response to BoC’s repeated rate cuts and softer economic data, reflecting lower expectations for economic growth. While 5-year yields moved lower during the year, the decline was smaller than at the 2-year maturity, leaving the 5-year higher than the 2-year by late 2025 and resulting in a steeper curve compared to late 2024.

**Figure 3  
Government of Canada 2-Year and 5-Year Bond yields  
2025**



**Housing York Inc.’s 2025 investment strategy benefitted from the steepening yield curves**

Table 1 provides a summary of the 2025 target asset mix guidelines compared to the actual mix as of December 31, 2025.

**Table 1  
2025 Target and Actual Asset Mix**

Term	Min %	Max %	Target Mix %	Actual Mix %
< 1 Year	20%	100%	30-40%	32%
1 to 3 Years	0%	70%	20-30%	24%
3 to 5 Years	0%	50%	15-25%	22%
> 5 Years	0%	30%	10-20%	22%

In 2025, three investments matured, totaling \$7 million, and eight investments were purchased, totaling \$15.5 million, to take advantage of the steepening yield curves (i.e. longer-term investment

opportunities). The weighted average term of HYI's portfolio is approximately three 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, 2025**

Type	Buy Yield (%)	Purchase Year	Maturity Year	Face Value (\$)	Book Value (\$)	Market Value (\$)
Cash	2.70			9,704,156	9,704,156	9,704,156
Bond	3.75	2022	2026	1,000,000	989,707	989,540
Bond	3.93	2022	2026	2,000,000	1,977,089	1,981,600
Bond	3.75	2022	2026	1,000,000	990,094	990,800
Bond	4.41	2023	2027	2,000,000	1,948,810	1,977,620
Bond	3.31	2022	2027	2,000,000	1,980,197	1,980,280
Bond	2.73	2025	2027	1,000,000	1,017,504	1,020,700
Bond	4.17	2023	2028	3,000,000	2,912,448	2,983,290
Bond	3.03	2025	2028	2,000,000	2,060,374	2,070,500
Bond	3.43	2025	2029	2,000,000	2,068,155	2,082,660
Bond	3.44	2025	2029	2,000,000	2,066,390	2,079,840
Bond	4.08	2022	2030	2,300,000	2,112,185	2,161,494
Bond	3.64	2025	2030	3,000,000	3,173,289	3,217,590
Bond	3.65	2025	2031	2,000,000	2,005,551	2,010,540
Bond	3.31	2025	2031	1,500,000	1,401,653	1,386,480
Bond	3.42	2022	2032	2,000,000	1,974,748	1,950,860
Bond	3.79	2025	2033	2,000,000	2,001,610	2,031,740
Bond	4.40	2023	2033	2,000,000	1,892,301	1,977,480
<b>Total</b>	<b>3.48%*</b>			<b>\$42,504,156</b>	<b>\$42,276,261</b>	<b>\$42,597,170</b>

\*Note 3.48% is a weighted average portfolio yield

### **Housing York Inc.'s portfolio earned a realized return of \$1,913,946 or 3.37% in 2025**

In 2025, HYI's investment portfolio generated realized returns of \$1,913,946 (versus \$1,767,373 in 2024) on an average portfolio balance of \$56.9 million. This equates to a realized rate of return of 3.37% (versus 4.0% in 2024).

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, 2025.

As noted above, mark-to-market adjustments include the period over period change in the market value of 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, interest rates experienced volatility after BoC’s first cut in January. The volatility throughout the year made investing challenging, particularly in terms of timing purchases. Following the BoC’s final rate cut in October and a strong employment report in early December, interest rates moved sharply higher, suggesting the rate-cutting cycle may be ending. This upward shift negatively impacted the year-end mark-to-market adjustment, as shown in Table 3, resulting in a total return of 3.31%.

**Table 3**  
**HYI Portfolio Comparison of Realized vs Mark-to-Market Returns**  
**2023 to 2025**

Year	Average Assets	Realized		Mark-to-Market		
		Income	Return	Adjustments	Income	Return
2025	\$56,965,853	\$1,913,946	3.37%	(\$27,907)	\$1,886,039	3.31%
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%

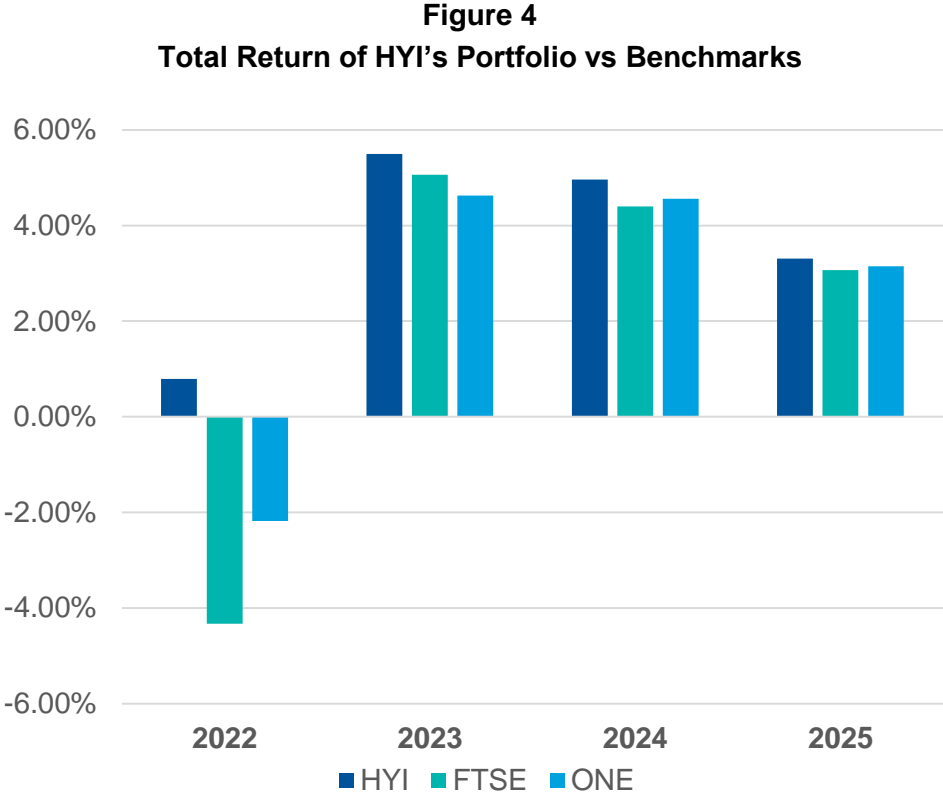
**Housing York Inc.’s portfolio outperformed its benchmarks**

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 2025 return of the ONE Fund was 3.15% (versus 4.56% in 2024).

The index fund benchmark HYI measures its performance against is the Financial Times Stock Exchange (FTSE) Capital Markets Group. The 2025 return of the FTSE was 3.07% (versus 4.40% in 2024).

Figure 4 shows HYI’s 2025 total return compared to the FTSE and ONE Fund. HYI’s total return exceeded the FTSE by 24 basis points and ONE Fund by 16 basis points.



Note: the realized return for the HYI investment portfolio was 3.37% in 2025.

**Housing York Inc.’s 2026 investment strategy is to remain patient and capitalize on opportunities to improve investment returns while safeguarding the necessary liquidity**

Canada enters 2026 with the Bank of Canada maintaining its policy rate at 2.25%, following a cumulative 275 basis point reduction over the previous two years. Policymakers appear increasingly cautious about adjusting rates further, as the domestic economy continues to show signs of fragility and uncertainty tied to global trade conditions. Although inflation has been trending lower, it remains highly susceptible to external shocks, particularly those stemming from renewed geopolitical tensions.

The ongoing conflict in the Middle East has intensified pressure on global supply chains, most notably by disrupting key oil transport routes. These disruptions have pushed energy prices higher, adding an inflationary undertone just as central banks had begun gaining traction in cooling price growth. The resulting rise in fuel and shipping costs has complicated Canada’s inflation outlook, amplifying the Bank of Canada’s reluctance to deviate from its current policy stance. At the same time, global bond markets have reacted to heightened geopolitical risk and higher energy-driven inflation expectations, contributing to a recent rise in yields.

Financial markets in 2026 are navigating a delicate balance: weak domestic fundamentals on one side, and volatile global conditions on the other. Elevated unemployment, modest GDP growth, and continued uncertainty surrounding North American trade negotiations are expected to keep investor sentiment cautious. Until the renegotiation of the United States–Mexico–Canada Agreement is resolved and global demand stabilizes, Canada’s economic recovery is likely to remain gradual, reinforcing an environment where risk management and defensive positioning remain top of mind for institutional and municipal investors.

Within this backdrop, HYI’s investment strategy will need to stay flexible, emphasizing careful duration management and strategic liquidity allocation throughout the year. Table 4 summarizes the 2026 target asset mix and the proposed average investment term.

**Table 4**  
**2025 Versus 2026 Target Asset Mix**

Term	2025 Actual Mix %	2026 Target Mix %
< 1 Year	32%	30-40%
1 to 3 Years	24%	20-30%
3 to 5 Years	22%	15-20%
> 5 Years	22%	10-15%
Average Term	2.9 years	3.0 years

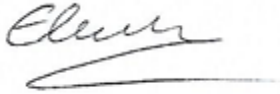
Table 5 provides a year-over-year comparison of the investment program highlighting the impact of lower rates and market volatility on the portfolio’s returns in 2025.

**Table 5**  
**HYI Investment Program**  
**Year-Over-Year Comparison**

	2023	2024	2025
Portfolio Balance (\$millions)	\$50.0	\$44.0	\$42.3
Realized Return (%)	3.79%	4.00%	3.37%
Realized Return (\$)	\$1,617,513	\$1,767,373	\$1,913,946
Average Term in Years	2.0 years	2.0 years	2.9 years
Average Credit Quality	AA	AA	AA

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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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March 27, 2026  
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