MARKHAM

Report to: General Committee Meeting Date: April 21, 2026

SUBJECT: 2026 First Quarter Investment Performance Review

PREPARED BY: Mark Visser, Senior Manager of Financial Strategy & Investments, x4260

RECOMMENDATION:

1) THAT the report dated April 21, 2026 entitled “2026 First Quarter Investment Performance Review” be received.

EXECUTIVE SUMMARY:
Not Applicable

PURPOSE:
Pursuant to Regulation 438/97 Section 8, the Municipal Act requires the Treasurer to “prepare and provide to the Council, each year or more frequently as specified by Council, an investment report”.

The investment report shall contain,

(a) a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;

(b) a description of the estimated portion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year’s report;

(c) a statement by the Treasurer as to whether or not, in his opinion, all investments were made in accordance with the investment policies and goals adopted by the municipality;

(d) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security;

(e) such other information that the Council may require or that, in the opinion of the Treasurer, should be included.

BACKGROUND:
Not Applicable

OPTIONS/ DISCUSSION:
Not Applicable

FINANCIAL CONSIDERATIONS:
The 2026 budget for Income Earned on Investments is $26.979 million (an increase of $4.000 million from the 2025 budget). The $26.979 million budget is based on a forecasted $675.0 million average balance invested at an average rate of 4.00%.

The following table shows the budgeted investment income by quarter.

Period	Avg. Balance	Avg. Rate	Forecast
Q1	$675.0m	4.00%	$6,652,356
Q2	$675.0m	4.00%	$6,726,272
Q3	$675.0m	4.00%	$6,800,186
Q4	$675.0m	4.00%	$6,800,186
2026 Budget	**$675.0m**	**4.00%**	**$26,979,000**

The Q1 2026 forecast assumes an average general fund portfolio balance of $675.0 million to be invested at an average rate of return of 4.00%.

For the three months ending March 31, 2026, the City of Markham's Income Earned on Investments was $23.396 million, compared to a budget of $6.652 million, representing a $16.744 million favourable variance to budget.

Interest Rate
The Bank of Canada prime rate was stable at 4.45% for all of the first quarter. Long term rates were also relatively stable.

The City's general portfolio investments (including interest charged to reserves with negative balances) had an average interest rate of 4.08%; 8 basis points higher than forecast. Additionally, through the sale of investments in Q1, the City earned $17.123 million of capital gains, thereby increasing the rate of return to 15.21%.

The difference in the rate of return accounts for a favourable variance of $17.248 million.

Portfolio Balance
The forecasted average portfolio balance for Q1 2026 was $675.0 million. The actual average general fund portfolio balance (including cash balances) for the first quarter of 2026 was $623.9 million. The lower portfolio balance accounts for an unfavourable variance of $0.504 million.

Variance Summary

	Budget	Actual	Variance
Portfolio Balance	$675.0m	$623.9m	($51.1m)
Interest Rate	4.00%	15.21%	11.21%
Investment Income	$6.652m	$23.396m	**$16.744m**
Portfolio Balance Variance Impact			**$17.248m**
Interest Rate Variance Impact			**($0.504m)**

Portfolio Composition

All investments made in the first quarter of 2026 adhered to the City of Markham investment policy. At March 31, 2026, 43% of the City's portfolio (not including bank balances) was comprised of government issued securities. The remaining 57% of the portfolio was made up of instruments issued by Schedule 1 Banks (Exhibit 1). All of these levels are within the targets established in the City's Investment Policy.

The March 31, 2026 investment portfolio (not including bank balances) was comprised of the following instruments: Bonds 54%, Principal Protected Notes (PPNs) 34%, and GICs 12% (Exhibit 2).

At March 31, 2026, the City's general portfolio balance (all funds excluding DCA) was $661.4 million (including bank balances). The City's portfolio (all funds excluding DCA) was broken down into the following investment terms (Exhibit 3):

Under 1 month	42.4%
1 month to 3 months	0.0%
3 months to 1 year	8.1%
Over 1 year	49.5%
Weighted average investment term	1,777.0 days
Weighted average days to maturity	1,319.0 days

Money Market Performance

The City of Markham uses the 3-month T-bill rates to gauge the performance of investments in the money market. The average 3-month T-bill rate for the first quarter of 2026 was 2.21% (source: Bank of Canada). Money market investments (including bank balances) held by the City of Markham during the first quarter of 2026 had an average return of 3.00%. Therefore, the City's money market investments outperformed 3-month T-Bills by 79 basis points. See Exhibit 4 for all Money Market securities held by the City of Markham in the first quarter of 2026.

Bond Market Performance

The 2026 YTD highlights of Markham's bond portfolio are as follows:

- 4 Bonds/Principal Protected Note (PPNs) purchased with a face value of $27.0 million
- 0 bonds matured
- 7 Principal Protected Notes (PPNs)/Bonds sold with a face value of $31.0 million
- $17.123 million of capital gains earned

See Exhibit 5 for all Bonds held by the City of Markham in the first quarter of 2026.

Outlook

Interest rates are expected to be relatively stable for the rest of 2026. Equity markets will likely see some volatility given the global environment. The City will continue to monitor movements in the market and look at reducing its PPN holdings.

HUMAN RESOURCES CONSIDERATIONS
Not Applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:
Not Applicable

BUSINESS UNITS CONSULTED AND AFFECTED:
Not Applicable

RECOMMENDED BY:

Joseph Silva, Treasurer

Trinela Cane, Commissioner,
Corporate Services

ATTACHMENTS:

Exhibit 1 – Investment Portfolio by Issuer
Exhibit 2 – Investment Portfolio by Instrument
Exhibit 3 – Investment Terms
Exhibit 4 – 2026 Q1 Money Market Investments
Exhibit 5 – 2026 Q1 Bond Market Investments
Exhibit 6 – 2026 Q1 DCA Fund Investments