



REPORT

To: Chair and Directors

Report Number: FN-BRD-010

From: Amber Vieweg, Investment Officer

Date: August 4, 2020

Subject: **2020 Investment Update**

RECOMMENDATION: [Corporate Unweighted]

That the Regional Board receive the report titled 2020 Investment Update, which provides an update on PRRD and PRRHD hospital investments as at June 30, 2020, for information.

BACKGROUND/RATIONALE:

Since the last Investment Update in November 2019, COVID-19 has altered the investment landscape in significant ways. Financial market risk has risen significantly and unprecedented volatility was seen in all financial markets, particularly in March and April 2020, as the impacts of COVID-19 caught the world by surprise. Interest rates fell to unprecedented low levels; as central banks around the world cut interest rates (overnight rate is now at 0.25% in Canada), bond market participants flocked to less risky assets (government bonds), pushing down long term bond yields. While the equity markets have since recovered, interest rates and bond yields remain at their lowest historical levels ever.

In this environment, and with less visibility on PRRD's future cash flows, PRRD investment staff felt it was prudent to increase the liquidity and improve the diversification and credit quality of holdings. Principal protection (preservation of capital) and liquidity are the foremost objectives of the PRRD's Investment Policy, with return on investment being secondary to those two objectives. Our diversification strategy has lowered the risk profile of the portfolios, but that will come at the expense of lower expected returns – however, one can argue that we have enhanced our “risk-adjusted returns.”

The attachments provide an overview of the positioning of the PRRHD and PRRD Investment Portfolios as at June 30, 2020.

ALTERNATIVE OPTIONS:

1. That the Regional Board provide further direction.

STRATEGIC PLAN RELEVANCE:

☒ Not Applicable to Strategic Plan.

FINANCIAL CONSIDERATION(S):

From October 31, 2019 to June 30, 2020, the PRRD's funds have earned interest in the amount of \$1,070,543.48 while the PRRHD's funds have earned interest in the amount of \$1,394,539.44.

COMMUNICATIONS CONSIDERATION(S):

None.

OTHER CONSIDERATION(S):

None.

Attachments:

1. PRRD Investment Portfolio
2. PRRHD Investment Portfolio