



REQUEST FOR DECISION (RFD)

MEETING: Regular Council

MEETING DATE: October 14, 2025

ORIGINATED BY: Doug Cooke, Director of Finance

TITLE/SUBJECT: Securities Portfolio Presentations: QUBE and ATB

AGENDA NO.: H.6.

STRATEGIC PLAN ALIGNMENT/RELEVANT LEGISLATION

MGA, s.250 – Limits municipalities to investing only in classes of securities specifically authorized in the Act or by regulation.

Municipal Investment Regulation, AR 149/2022 – Expands on permitted investments and imposes conditions (credit ratings, maturities, prudent person rule) to manage municipal investment risk.

Prudent Person Rule (in AR 149/2022) – Requires municipalities to exercise the care, skill, and judgment that a prudent investor would use when managing public funds.

RECOMMENDATION

The MD seeks to achieve strong investment returns while minimizing risk. QUBE acknowledged at the close of its presentation that returns are not guaranteed. Notably, their proposal contained little discussion of potential downside scenarios.

By contrast, ATB's analysis was comprehensive, with clear explanations addressing each of QUBE's claims. Although it was expected that ATB would defend its own strategy, the level of detail and understanding of municipal investment constraints under the MGA was reassuring.

Given the MD's duty to safeguard residents' investments, Council should avoid overly aggressive strategies. ATB's review highlights the importance of balancing return potential with compliance, risk management, and long-term security.

Recommendation:

That Council continue to have ATB manage the MD's investment portfolio and request more frequent Zoom reviews with Mr. Jeremy King to ensure ongoing oversight and transparency.

BACKGROUND/PROPOSAL

On invitation from Council, QUBE Investment Management Inc. was asked to present a portfolio review of the MD's securities investments. On August 26th the MD received the written review from Wyatt Lynds, and on September 9th he made his presentation to Council. QUBE's proposal projected an expected annual return of 5.47%, representing a 2.11% improvement over the current structure and an estimated \$140,000 in additional income.

On September 4th, ATB provided a review of the QUBE proposal and made its presentation to Council on September 23rd. ATB's response characterized the QUBE proposal as "a riskier, poorly constructed bond portfolio with a lower expected return." ATB further noted: "*An aggressive allocation to speculative Structured Notes, using wildly aggressive return assumptions, creates the illusion of improvement.*"

Initials Show Support- Reviewed By: _____

CAO:  _____

Date: Oct 9/25

ADVANTAGES OF THE RECOMMENDED ACTION:

In my opinion, based on the review of the QUBE proposal by Jeremy King of the ATB, the MD investment portfolio is in good hands. The 18-page report is comprehensive and clearly well presented and in line with the strategies the MD is pursuing with its investment strategy.

DISADVANTAGES OF THE RECOMMENDED ACTION:

QUBE's proposal forecasts a higher rate of return than what is expected under the current ATB strategy, which the MD will forgo by not adopting it..

FINANCIAL IMPLICATIONS

The QUBE proposal could result in a higher return for the MD, though perhaps not at the 5.47% projected. With a more aggressive approach, returns may exceed the 3.36% ATB strategy is expected to generate.

Key differences in QUBE's strategy include:

- A restructured bond ladder with maturities at one year, seven years, and 15+ years.
- Allocating 40% of the MD's portfolio into Auto-Callable Structured Notes.

However, this approach carries significant risks:

- A 40% allocation to Structured Notes introduces substantial risk and complexity. These products are not typically allowable as standalone municipal investments under the MGA. Their structure can be confusing, and ATB questioned the validity of their underlying assumptions.
- The high expected returns claimed by QUBE (e.g., 22.53% for Solactive Canadian Large Cap Flex GIC, 11.27% for Market Linked GICs) appear inflated.
- QUBE's critique of the MD's current bond ladder was based on a snapshot in time, overlooking recent adjustments, including ATB's increased investment in the Province of Manitoba bond and management of GIC levels.
- Extending bond maturities to 15 years may expose the MD to undue interest rate risk, particularly if lower quality bonds are involved.
- The QUBE fee structure was not disclosed, but ATB advised it would be roughly double current costs.

While rejecting the QUBE proposal may mean forgoing the possibility of higher returns, the returns are not guaranteed and would come at the cost of significantly higher risk exposure.

PUBLIC ENGAGEMENT

ATTACHMENT(S)

Initials Show Support- Reviewed By:

CAO: 

Date: Oct. 9 / 25