

To provide the City with a high level of safety and security while achieving the best investment return, meeting cash flow requirements and conforming to applicable legislation for securities.

## I Investment Principles

### (1) Safety:

- (a) Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of all funds invested.
- (b) The objective will be to mitigate credit risk and interest rate risk by investing only in creditworthy institutions and instruments, and by maintaining portfolio diversification.
- (c) Diversification is required to maximize the yield from a blend of financial products and terms.

### (2) Liquidity:

- (a) The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- (b) This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
- (c) Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

### (3) Yield:

- (a) The investment portfolio shall be designed with the objective of attaining at a minimum a market rate of return, taking into account the investment risk constraints and liquidity needs.
- (b) Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

### (4) Duration:

- (a) The investment portfolio shall be designed with the objective of keeping duration within set parameters of a bond index.
- (b) This is done to limit the exposure of the portfolio to interest rate risk (rate fluctuations).
- (c) Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.
- (d) The bigger the duration number, the greater the interest-rate risk or reward for bond prices.

**2 Standards/Requirements**

- (1) Security selection is restricted to the authorized investments as defined in the Alberta Municipal Government Act and Alberta Regulation(s).

**Document History:**

Policy Adopted	September 16, 2013
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**Administrative Revisions:**

<b>Date:</b>	<b>Description:</b>
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