


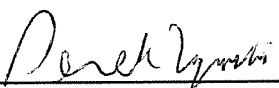


PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Halifax Regional Council**  
**January 23, 2007**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**   
Cathie O'Toole, Acting Director of Finance

  
Derek Tynski, Deputy Treasurer

**DATE:** January 16, 2007

**SUBJECT:** Investment Activities - Quarter Ending September 30, 2006

**INFORMATION REPORT**

**ORIGIN**

Quarterly report of investment performance and adherence to approved Investment Policy.

## BACKGROUND

The Investment Policy calls for quarterly reporting by the Treasurer to Council and the Investment Policy Advisory Committee (the Committee). The report for the Quarter ending September 30, 2006 has been reviewed by the Committee.

## DISCUSSION

### HRM Investment Performance & Activities

#### HRM Short Term (Money Market Pool)

HRM Money Market investment performance is summarized below in comparison with the Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds for periods ending September 30, 2006:

Money Market Funds	3 Months (to Sept. 30, 2006)	9 Months (to Sept. 30, 2006)	1 Year (to Sept. 30, 2006)
5 <sup>th</sup> Percentile	1.2%	3.1%	3.9%
1 <sup>st</sup> Quartile	1.1%	3.0%	3.8%
Mercer Median	1.1%	2.9%	3.6%
3 <sup>rd</sup> Quartile	1.0%	2.8%	3.5%
95 <sup>th</sup> Percentile	0.9%	2.6%	3.3%
SC 91 Day T-Bills	1.1%	2.9%	3.7%
<b>HRM</b>	<b>1.0%</b>	<b>2.8%</b>	<b>3.5%</b>

As anticipated, relative performance has moved slightly below median for each of the reporting periods. This relative performance reflects the very high quality of the HRM portfolio as well as past decisions to take a conservative approach by locking in yield for a portion of the portfolio in a rising interest rate environment. While future relative performance will continue to be somewhat constrained by the very high quality of the portfolio, the impact of the lower yielding investments in the portfolio will dissipate as more of these investments mature. In addition, longer term investments made near the end of the tightening cycle in the May / June period are well above the current market level for these maturity dates and should serve to enhance relative performance in the future and offset some of the high quality impact.

During the Quarter there were 31 investments made at a total cost of \$147,000,000. The average

term to maturity in this Quarter of 61 days differs significantly from the same Quarter last year when it was 176 days. This reflects the strategic shift in response to the shape of the yield curve. In the previous year the yield curve was upward sloping as the Bank of Canada had just begun its tightening cycle. In this year during the Quarter monetary policy was more neutral with a flatter and sometimes inverted short term curve which provided little incentive to extend term.

Residual Operating Fund Investment Income is currently projected to be \$3,350,000 which will exceed the budget by \$650,000. Higher cash balances are the primary factor behind this projected positive variance. Recent projections on Reserve Fund Investment Income indicate total income, including the Nova Scotia Promissory Notes, to be \$7,720,000 exceeding the budget of \$6,259,000. Again, higher cash balances are the main reason behind this performance.

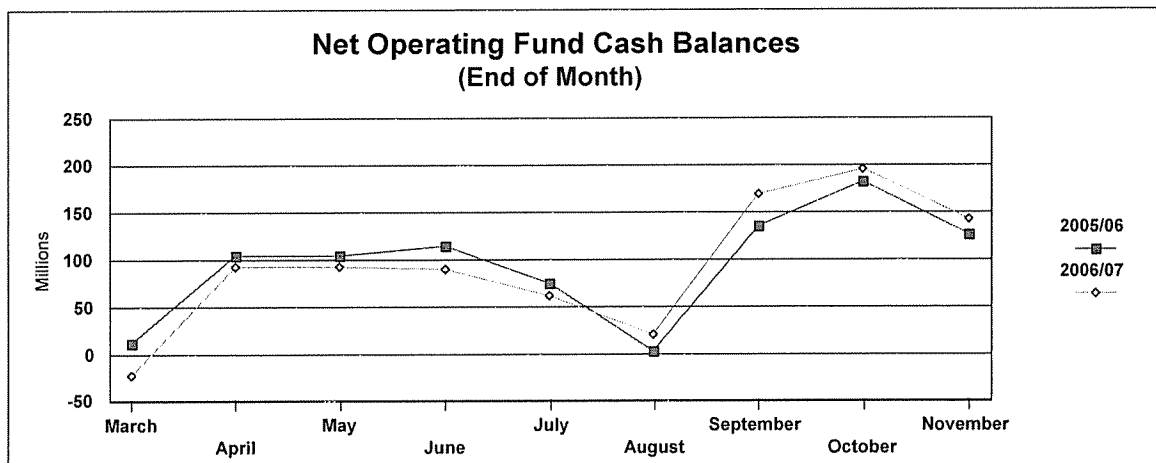
#### HRM Short Term Bond Pool & Targeted Reserve Fund Investments

There were no purchases made for the Short Term Bond Pool or Targeted Reserve Fund Investments during the Quarter. The flat and inverted yield curve experienced during the Quarter made these types of investments relatively unattractive.

#### Cash Flows

The Sector Weight schedules indicate that the Royal Bank and Financial Institutions were above the guideline limits by \$2.9 million and \$13.9 million respectively due to the cash in the Royal Bank account. This figure reflects the end of day bank account position and deposits taken during Friday September 29, the final tax billing due date. Although staff do take anticipated deposits into consideration on tax due dates, to preserve the Liquidity Objective, it is done on a very conservative basis. Investments in excess of \$35 million were made that day. Staff do not believe this very temporary variance posed any material risk. Investments were made on October 2<sup>nd</sup> to bring the Sector Weights back in line.

As discussed in previous reports, all HRM cash is consolidated for investment and banking purposes. However for analytical purposes staff wish to separate cash flows and balances among the Operating, Capital and Reserve Funds. The graph on the following page shows comparative cash balances of the Operating Fund. At this time this includes the impact of the short term financing of Capital Fund expenditures by the Operating Fund.



The pattern shown above is as anticipated given that the 2006 fiscal year began with lower net cash balances for the Operating Fund for reasons discussed in previous reports. The lower August 2005 figure reflects a \$23 million capital expenditure that was not repeated in 2006.

#### Subsequent to End of Reporting Quarter

On December 1 \$2 million of Short Term Bond Pool and \$2 million of Targeted Harbour Solutions bonds matured. Given the shape of the yield curve and the general level of interest rates staff did not roll over these maturities as a strict laddered strategy might suggest. A laddered strategy would see maturities roled over into longer dated bonds to keep exposure in all eligible terms of the portfolio. These proceeds have been invested as part of the Money Market Pool. Staff will look for opportunities re-invest in bonds when relative yields become more attractive.

There has been some discussion in the press that the Federal Government may consider selling off the Canada Mortgage and Housing Corporation. Also the future of the monopoly for the Canadian Wheat Board continues to be an issue with Federal Government moving to fire the head of the Wheat Board who opposes this move. Staff will continue to monitor these situations.

On October 6, 2006 the Dominion Bond Rating Service (DBRS), the rating agency used for HRM investments, announced a change in their methodology for determining Short Term Ratings. As a result a number of Provincial Governments and Financial Institutions HRM actively invests in or follow received upgrades. The Provinces of Ontario and British Columbia were upgraded from R-1 (Mid) to R-1 (High) while the Provinces of Manitoba, New Brunswick and Quebec were upgraded from R-1 (Low) to R-1 (Mid). Staff have only invested in Provinces with a rating of at least R-1 (Mid) to provide a degree of comfort that should a downgrade occur the investment quality would remain at a reasonable level and within the Investment Policy requirements. In addition, the market does not generally offer any yield advantage for an R-1 (Low) rated Province over one rated R-1 (Mid). In staff's view there is no incentive to take any incremental risk, however small that might be, without some offsetting reward. Staff will shortly add the Provinces of Manitoba, New

Brunswick and Quebec for active consideration. This has been discussed with the Investment Policy Advisory Committee and there was agreement with this change.

In the Financial Institution market segment, presently staff only invest in the “big five” Canadian banks. This is partly based on the ratings but their prominence in the Canadian economy as well as their visibility are also important factors. All of these banks were upgraded to R-1 (High) from R-1 (Mid) with the exception of CIBC which remained at R-1 (Mid). In addition the National Bank of Canada was upgraded to R-1 (Mid) from R-1 (Low). It should be noted that since the rating changes the market has not assigned a yield premium to CIBC instruments. Staff intend to continue to purchase CIBC instruments but not to add the National Bank at this time as an active investment option. Part of the rationale is the relative size of these institutions with CIBC being two to three times the size of the National Bank by most metrics. Also, with only a 25% portfolio allocation available for Financial Institutions the “big five” banks offer enough variety to generally allow staff to find maturities to meet cash requirements as well as provide for a reasonable level of diversification. Should a future review of the Investment Policy result in an increase in the Financial Institutions Sector Weight above 25% then this issue will be revisited. The Investment Policy Advisory Committee were also in agreement with staff’s approach here as well.

### Outlook & Strategy

The current economic situation that may be characterized as a tug of war between tight labour markets and softening Housing and Manufacturing sectors in Canada appears likely to continue for some time. This will likely keep the Bank of Canada on hold as the medium term outlook for inflation remains uncertain against this economic backdrop.

The dominant strategy will be to continue to keep the Financial Institutions sector near maximum and rollover Government sector investments to top up the Financial Institution sector while continuing to match investments to cash requirements. Staff will look for opportunities to lock in yield in the one year area should these rates move to relatively attractive levels.

### Policy Compliance

Adherence to Legal Requirements - There were no legal issues identified during the Quarter with respect to investments.

Preservation of Capital - There was no loss of capital during the Quarter and all investments were held to maturity.

Liquidity - No overdraft charges were incurred and sufficient cash was available to meet all requirements.

Diversification of Investment Portfolio - Staff believe that the Diversification Objective of managing risk and return has been achieved.

Competitive Return on Investments - Although relative performance for the year ending September 30, 2006 has dropped below median this is before fees. Previous discussions with Mercer Investment Consulting have indicated that average fees from their survey would be 25 bps. As a result performance continues to meet the Objective of the Policy.

Regular Review of Performance - Performance data continues to be reported to the Investment Policy Advisory Committee.

### **BUDGET IMPLICATIONS**

N/A

### **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

### **ALTERNATIVES**


N/A

### **ATTACHMENTS**

Appendix A - Economic Statistics and Central Bank Actions  
Sector Weight Schedules @ September 30, 2006 (Schedules A, B, C, D & E)

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Derek Tynski, BA, CMA, Deputy Treasurer

Approved by: Derek Tynski, BA, CMA, Deputy Treasurer 

## Appendix A

### Economic Statistics

	Canada	US
Unemployment Rate	July 6.4%, Aug. 6.5%, Sept. 6.4%	July 4.8%, Aug. 4.7%, Sept. 4.6%
Jobs Created / (Lost) ('000's)	July (5.5), Aug. (16), Sept. (16.2)	July 123, Aug. 230, Sept. 148
CPI (year over year)	July 2.4%, Aug.2.1%, Sept. 0.7%	July 4.1%, Aug. 3.8%, Sept. 2.1%
CPI-X (Core) (year over year)	July 2.0%, Aug.2.0%, Sept. 2.2%	July 2.7%, Aug. 2.8%, Sept. 2.9%
GDP Q3	1.7%	2.2%

### Central Bank Activities July 1 to Sept. 30, 2006

- July 11 Bank of Canada Hold at 4.25%, Bias Neutral
- August 8 US Federal Open Market Committee Hold at 5.25%, Bias Neutral
- September 6 Bank of Canada Hold at 4.25%, Bias Neutral
- September 20 US Federal Open Market Committee Hold at 5.25%, Bias Neutral

**Total Investments  
Sector Weights  
@ September 30, 2006**

**Schedule A**

	<u>Category Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$163,753,330</b>	<b>49%</b>	<b>\$331,105,883</b>	<b>100%</b>	<b>\$167,352,553</b>	<b>51%</b>
Federal Government	Open	\$108,239,440	33%				
Business Development Bank	Open	\$24,285,850	7%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$8,669,840	3%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$22,558,200	7%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$70,708,962</b>	<b>21%</b>	<b>\$331,105,883</b>	<b>100%</b>	<b>\$260,396,921</b>	<b>79%</b>
Total Alberta (R-1 High)	Open	\$14,931,050	5%	\$82,776,471	25%	\$67,845,421	20%
Alberta (R-1 High)	Open	\$9,960,100					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$4,970,950					
British Columbia (R-1 Mid)	Open	\$24,509,122		\$82,776,471	25%	\$58,267,349	18%
Manitoba (R-1 Low)	Closed			\$82,776,471	25%	\$82,776,471	
New Brunswick (R-1 Low)	Closed			\$82,776,471	25%	\$82,776,471	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$82,776,471	25%	\$82,776,471	
Nova Scotia (R-1 Low)	Closed			\$82,776,471	25%	\$82,776,471	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$82,776,471	25%	\$82,776,471	
Ontario (R-1 Mid)	Open	\$31,268,790	9%	\$82,776,471	25%	\$51,507,681	16%
Prince Edward Island (R-1 Low)	Closed			\$82,776,471	25%	\$82,776,471	
Quebec (R-1 Low)	Closed			\$82,776,471	25%	\$82,776,471	
Saskatchewan (R-1 Low)	Closed			\$82,776,471	25%	\$82,776,471	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$82,776,471</b>	<b>25%</b>	<b>\$82,776,471</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$33,110,588	10%	\$33,110,588	10%
Edmonton (R-1 High)	Open			\$33,110,588	10%	\$33,110,588	10%
Winnipeg (R-1 Mid)	Open			\$33,110,588	10%	\$33,110,588	10%
	<b>BA's Schedule A Canadian Banks R-1 Mid</b>	<b>\$96,643,591</b>	<b>29%</b>	<b>\$82,776,471</b>	<b>25%</b>	<b>(\$13,867,120)</b>	<b>-4%</b>
<b>Financial Institutions &amp; their Guarantees</b>	<b>Open</b>	<b>\$16,888,390</b>	<b>5%</b>	<b>\$33,110,588</b>	<b>10%</b>	<b>\$16,222,198</b>	<b>5%</b>
Bank of Montreal (R-1 Mid)	Open	\$17,839,890	5%	\$33,110,588	10%	\$15,270,698	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$17,895,970	5%	\$33,110,588	10%	\$15,214,618	5%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open			\$33,110,588	10%	\$33,110,588	
Laurentian Bank (R-1 Low)	Closed			\$33,110,588	10%	\$33,110,588	
National Bank of Canada (R-1 Low)	Closed			\$33,110,588	10%	\$33,110,588	
Royal Bank (R-1 Mid)	Open	\$4,948,600 } \$31,099,881 }	11%	\$33,110,588	10%	(\$2,937,892)	-1%
Royal Bank 1 Day BA							
Toronto Dominion (R-1 Mid)	Open	\$7,970,860	2%	\$33,110,588	10%	\$25,139,728	8%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>		<b>\$331,105,883</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
<b>Federal Government &amp; its Guarantees</b>		<b>\$27,745,293</b>					
Federal Government (AAA)		\$21,500,000					
Province of Nova Scotia (A-Low)							
<b>TOTAL FIXED</b>		<b>\$49,245,293</b>					
<b>EQUITIES</b>							
<b>Bank of Montreal</b>		<b>\$6,410</b>					
<b>TOTAL EQUITIES</b>		<b>\$6,410</b>					
<b>TOTAL INVESTMENTS</b>		<b>\$380,357,586</b>					
<b>Interest Bearing Bank Accounts - O/S Cheque Coverage</b>		<b>\$17,523,283</b>					
<b>TOTAL INVESTMENTS &amp; O/S Cheques Coverage</b>		<b>\$397,880,869</b>					



**Operating Fund  
Sector Weights  
@ September 30, 2006**

Schedule B

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	<b>\$83,507,179</b>	49%	<b>\$168,849,807</b>	100%	<b>\$85,342,628</b>	51%
Federal Government	Open	\$55,197,474	33%				
Business Development Bank	Open	\$12,384,742	7%				
Canada Mortgage & Housing Corp	Open	\$0	0%				
Canadian Wheat Board	Open	\$4,421,247	3%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$11,503,715	7%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$36,058,540</b>	21%	<b>\$168,849,807</b>	100%	<b>\$132,791,268</b>	79%
Total Alberta (R-1 High)	Open	\$7,614,195	5%	\$42,212,452	25%	\$34,598,256	20%
Alberta (R-1 High)	Open	\$5,079,224					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$2,534,971	2%				
British Columbia (R-1 Mid)	Open	\$12,498,602		\$42,212,452	25%	\$29,713,850	18%
Manitoba (R-1 Low)	Closed			\$42,212,452	25%	\$42,212,452	
New Brunswick (R-1 Low)	Closed			\$42,212,452	25%	\$42,212,452	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$42,212,452	25%	\$42,212,452	
Nova Scotia (R-1 Low)	Closed			\$42,212,452	25%	\$42,212,452	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$42,212,452	25%	\$42,212,452	
Ontario (R-1 Mid)	Open	\$15,945,743	9%	\$42,212,452	25%	\$26,266,709	16%
Prince Edward Island (R-1 Low)	Closed			\$42,212,452	25%	\$42,212,452	
Quebec (R-1 Low)	Closed			\$42,212,452	25%	\$42,212,452	
Saskatchewan (R-1 Low)	Closed			\$42,212,452	25%	\$42,212,452	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$42,212,452</b>	25%	<b>\$42,212,452</b>	25%
Calgary (R-1 Mid)	Open			\$16,884,981	10%	\$16,884,981	10%
Edmonton (R-1 High)	Open			\$16,884,981	10%	\$16,884,981	10%
Winnipeg (R-1 Mid)	Open			\$16,884,981	10%	\$16,884,981	10%
<b>BA's Schedule A Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$49,284,089</b>	29%	<b>\$42,212,452</b>	25%	<b>(\$7,071,637)</b>	<b>-4%</b>
Bank of Montreal (R-1 Mid)	Open	\$8,612,355	5%	\$16,884,981	10%	\$8,272,626	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$9,097,579	5%	\$16,884,981	10%	\$7,787,402	5%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$9,126,178	5%	\$16,884,981	10%	\$7,758,803	5%
Laurentian Bank (R-1 Low)	Closed			\$16,884,981	10%	\$16,884,981	
National Bank of Canada (R-1 Low)	Closed			\$16,884,981	10%	\$16,884,981	
Royal Bank (R-1 Mid)	Open	\$2,523,574	9%	\$16,884,981	10%	(\$1,498,200)	-1%
Royal Bank 1 Day BA		\$15,859,606					
Toronto Dominion (R-1 Mid)	Open	\$4,064,797	2%	\$16,884,981	10%	\$12,820,184	8%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Total Investments</b>		<b>\$168,849,807</b>	<b>100%</b>				
<b>Interest Bearing Bank Accounts - O/S Cheque Coverage</b>		<b>\$17,523,283</b>					
<b>Total Cash and Investments</b>		<b>\$186,373,092</b>					

**Capital Fund  
Sector Weights  
@ September 30, 2006**

**Schedule C**

<u>Category</u>	<u>Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>100%</b>	<b>\$0</b>	<b>0%</b>
Federal Government	Open	\$0	0%				
Business Development Bank	Open	\$0	0%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>100%</b>	<b>\$0</b>	<b>0%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$0	25%	\$0	0%
Alberta (R-1 High)	Open	\$0	0%				
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0	0%				
British Columbia (R-1 Mid)	Open			\$0	25%	\$0	0%
Manitoba (R-1 Low)	Closed			\$0	25%	\$0	
New Brunswick (R-1 Low)	Closed			\$0	25%	\$0	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$0	25%	\$0	
Nova Scotia (R-1 Low)	Closed			\$0	25%	\$0	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$0	25%	\$0	
Ontario (R-1 Mid)	Open	\$0	0%	\$0	25%	\$0	0%
Prince Edward Island (R-1 Low)	Closed			\$0	25%	\$0	
Quebec (R-1 Low)	Closed			\$0	25%	\$0	
Saskatchewan (R-1 Low)	Closed			\$0	25%	\$0	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>25%</b>	<b>\$0</b>	<b>0%</b>
Calgary (R-1 Mid)	Open			\$0	10%	\$0	0%
Edmonton (R-1 High)	Open			\$0	10%	\$0	0%
Winnipeg (R-1 Mid)	Open			\$0	10%	\$0	0%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>25%</b>	<b>\$0</b>	<b>0%</b>
Bank of Montreal (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Bank of Nova Scotia (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Laurentian Bank (R-1 Low)	Closed			\$0	10%	\$0	
National Bank of Canada (R-1 Low)	Closed			\$0	10%	\$0	
Royal Bank (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Royal Bank 1 Day BA		\$0					
Toronto Dominion (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Total Investments</b>		<b>\$0</b>	<b>0%</b>				

**Reserve Funds  
Sector Weights  
@ September 30, 2006**

Schedule D

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	<b>\$78,857,394</b>	<b>49%</b>	<b>\$159,448,037</b>	<b>100%</b>	<b>\$80,590,643</b>	<b>51%</b>
Federal Government	Open	\$52,124,010	33%				
Business Development Bank	Open	\$11,695,144	7%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$4,175,066	3%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$10,863,174	7%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$34,050,755</b>	<b>21%</b>	<b>\$159,448,037</b>	<b>100%</b>	<b>\$125,397,282</b>	<b>79%</b>
Total Alberta (R-1 High)	Open	\$7,190,227	3%	\$39,862,009	25%	\$32,671,782	20%
Alberta (R-1 High)	Open	\$4,796,406					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$2,393,821					
British Columbia (R-1 Mid)	Open	\$11,802,664		\$39,862,009	25%	\$28,059,346	18%
Manitoba (R-1 Low)	Closed			\$39,862,009	25%	\$39,862,009	
New Brunswick (R-1 Low)	Closed			\$39,862,009	25%	\$39,862,009	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$39,862,009	25%	\$39,862,009	
Nova Scotia (R-1 Low)	Closed			\$39,862,009	25%	\$39,862,009	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$39,862,009	25%	\$39,862,009	
Ontario (R-1 Mid)	Open	\$15,057,863	9%	\$39,862,009	25%	\$24,804,146	16%
Prince Edward Island (R-1 Low)	Closed			\$39,862,009	25%	\$39,862,009	
Quebec (R-1 Low)	Closed			\$39,862,009	25%	\$39,862,009	
Saskatchewan (R-1 Low)	Closed			\$39,862,009	25%	\$39,862,009	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$39,862,009</b>	<b>25%</b>	<b>\$39,862,009</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$15,944,804	10%	\$15,944,804	10%
Edmonton (R-1 High)	Open			\$15,944,804	10%	\$15,944,804	10%
Winnipeg (R-1 Mid)	Open			\$15,944,804	10%	\$15,944,804	10%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$46,539,889</b>	<b>29%</b>	<b>\$39,862,009</b>	<b>25%</b>	<b>(\$6,677,879)</b>	<b>-4%</b>
Bank of Montreal (R-1 Mid)	Open	\$8,132,808	5%	\$15,944,804	10%	\$7,811,996	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$8,591,014	5%	\$15,944,804	10%	\$7,353,789	5%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$8,618,020	5%	\$15,944,804	10%	\$7,326,783	5%
Laurentian Bank (R-1 Low)	Closed			\$15,944,804	10%	\$15,944,804	
National Bank of Canada (R-1 Low)	Closed			\$15,944,804	10%	\$15,944,804	
Royal Bank (R-1 Mid)	Open	\$2,383,058	11%	\$15,944,804	10%	(\$1,414,778)	-1%
Royal Bank 1 Day BA		\$14,976,524					
Toronto Dominion (R-1 Mid)	Open	\$3,838,464	2%	\$15,944,804	10%	\$12,106,340	8%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>		<b>\$159,448,037</b>	<b>76%</b>				
<b>FIXED (Bonds, etc. over one year)</b>	<b>Open (Special)</b>						
Federal Government (AAA)		\$27,691,118	13%				
Province of Nova Scotia (A-Low)		\$21,500,000	10%				
<b>Total Investments</b>		<b>\$208,639,155</b>	<b>100%</b>				

**Trust Funds  
Sector Weights  
@ September 30, 2006**

Schedule E

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$1,388,757</b>	<b>49%</b>	<b>\$2,808,039</b>	<b>100%</b>	<b>\$1,419,282</b>	<b>51%</b>
Federal Government	Open	\$917,956	33%				
Business Development Bank	Open	\$205,963	7%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$73,527	3%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$191,311	7%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$599,668</b>	<b>21%</b>	<b>\$2,808,039</b>	<b>100%</b>	<b>\$2,208,371</b>	<b>79%</b>
Total Alberta (R-1 High)	Open	\$126,627	5%	\$702,010	25%	\$575,383	20%
Alberta (R-1 High)	Open	\$84,470					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$42,158					
British Columbia (R-1 Mid)	Open	\$207,857		\$702,010	25%	\$494,153	18%
Manitoba (R-1 Low)	Closed			\$702,010	25%	\$702,010	
New Brunswick (R-1 Low)	Closed			\$702,010	25%	\$702,010	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$702,010	25%	\$702,010	
Nova Scotia (R-1 Low)	Closed			\$702,010	25%	\$702,010	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$702,010	25%	\$702,010	
Ontario (R-1 Mid)	Open	\$265,184	9%	\$702,010	25%	\$436,826	16%
Prince Edward Island (R-1 Low)	Closed			\$702,010	25%	\$702,010	
Quebec (R-1 Low)	Closed			\$702,010	25%	\$702,010	
Saskatchewan (R-1 Low)	Closed			\$702,010	25%	\$702,010	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>	<b>0%</b>	<b>\$702,010</b>	<b>25%</b>	<b>\$702,010</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$280,804	10%	\$280,804	10%
Edmonton (R-1 High)	Open			\$280,804	10%	\$280,804	10%
Winnipeg (R-1 Mid)	Open			\$280,804	10%	\$280,804	10%
<b>BA's Schedule A Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$819,614</b>	<b>29%</b>	<b>\$702,010</b>	<b>25%</b>	<b>(\$117,604)</b>	<b>-4%</b>
Bank of Montreal (R-1 Mid)	Open	\$143,227	5%	\$280,804	10%	\$137,577	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$151,296	5%	\$280,804	10%	\$129,508	5%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$151,772	5%	\$280,804	10%	\$129,032	5%
Laurentian Bank (R-1 Low)	Closed			\$280,804	10%	\$280,804	
National Bank of Canada (R-1 Low)	Closed			\$280,804	10%	\$280,804	
Royal Bank (R-1 Mid)	Open	\$41,968	11%	\$280,804	10%	(\$24,916)	-1%
Royal Bank 1 Day BA		\$263,752					
Toronto Dominion (R-1 Mid)	Open	\$67,599	2%	\$280,804	10%	\$213,205	8%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>		<b>\$2,808,039</b>	<b>98%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
<b>Federal Government &amp; its Guarantees</b>							
Federal Government		\$54,175	2%				
<b>TOTAL FIXED</b>							
<b>EQUITIES</b>							
Bank of Montreal		\$6,410	0%				
<b>TOTAL EQUITIES</b>							
<b>Total Investments</b>		<b>\$2,868,622</b>	<b>100%</b>				