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PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Halifax Regional Council
September 5, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


Cathie O'Toole, Acting Director of Finance


Derek Tynski, Deputy Treasurer

DATE: August 29, 2006

SUBJECT: Investment Activities - Quarter Ending March 31, 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 March 31, 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 March 31, 2006:

Money Market Funds	3 Months (to March 31, 2006)	1 Year (to March 31, 2006)
5 th Percentile	0.9%	3.1%
1 st Quartile	0.9%	3.0%
Mercer Median	0.9%	2.9%
3 rd Quartile	0.8%	2.9%
95 th Percentile	0.8%	2.6%
SC 91 Day T-Bills	0.8%	2.8%
HRM	0.8%	2.9%

Relative performance lagged in the Quarter ending March 31, 2006. The sustained tightening cycle by the Bank of Canada and a relatively small amount of cash available for investment were the main factors behind this under performance. This is the first Quarter of below median performance since regular performance measurement began in the December Quarter of 2002.

During the Quarter there were 14 investments made at a cost of \$45,500,000. Although the March Quarter tends to see the least amount of investment activity of the fiscal year, this Quarter had the lowest dollar amount since the Investment Policy was adopted in 2002. The average term to maturity was 144 days.

Actual investment income for the Operating Fund for the fiscal year ending March 31, 2006 was \$2,092,000. This is a reduction from the previous projection reported to Council of \$2,225,000 but well above the original budget of \$1,340,000. Reserve Fund investment income was \$7,708,000 versus a previous projection of \$7,677,000. The Operating Fund retains the residual amount of investment income after allocations to the Reserves and Associations, Boards and Commissions.

The actual rate of return for the Money Market Pooled Fund for the year was 2.89% versus a budgeted rate

of 2.50%. With a 16% variance on rate and a 56% variance of actual versus initial budget on income it is clear that predicting net Operating Fund cash flows a year or more in advance continues to be the greater challenge.

For the 2006/07 fiscal year staff have budgeted a rate of return of 3.90% and Operating Fund investment income of \$2,700,000. Because of the relatively greater amount of Capital Projects receiving early approval and the potential impact on cash flows staff did not increase the Operating Fund income budget exactly in line with the anticipated increase in rates.

Reserve Fund investment income is anticipated to be \$6,260,000 including income from the Province of Nova Scotia Promissory Notes of \$1,189,559.

HRM Short Term Bond Pool

There were no new additions to the Bond Pool during the Quarter. However subsequent to the end of the Quarter there were two \$1,000,000 purchases of Canada Mortgage Bonds. The spread between the 1 Year Government of Canada Treasury Bills and 5 Year Government of Canada Bonds remains tight and has recently become inverted. By taking advantage of the yield spread offered by the Canada Mortgage Bonds staff believe the levels available at time of purchase offered reasonable value and offered some downside protection of income. Staff will continue to use patience in adding to these positions.

Targeted Reserve Fund Investments

There were no additions made to this segment during the Quarter. There was, however, a \$2,000,000 purchase of Canada Mortgage Bonds maturing March 15, 2008 for the Harbour Solutions Reserve. Based on recent projections this date would be near when funds will be exhausted for this project.

Cash Flows

There has been a decline in cash and investment balances of approximately \$35 million from March 31, 2005 to March 31, 2006. Staff have analyzed this difference and found that approximately \$30 million of this difference is related to the Capital Fund and \$5 million is associated with the Operating Fund. The Operating Fund difference is mostly due to a decline in the early payment of taxes and a modest increase in Receivables. Approximately \$18 million of the Capital Fund difference is related to billings for funding from senior levels of government for cost sharing with approximately \$11 million of this amount being related to the Harbour Solutions Project. Another \$6 million is related to Capital Cost Contributions and the balance relates to the timing of debt issues for Capital Project Expenditures. Staff are addressing the billing issues.

Staff's current assessment of the impact of the negative change in the year end cash and investment position on budgeted Operating Fund investment income is that it should be largely offset by somewhat higher than anticipated interest rates and the rebuilding of cash balances as funds are received from cost sharing and bond issues.

Subsequent to End of Reporting Quarter

Staff took a slightly different approach to covering very short term cash needs with the cash available from the Property Tax billing that was due in April. In the past Financial Institution instruments were usually used

to cover needs under one month with Government instruments used where longer dated maturities were desired. After discussions with some Brokers it was identified that there were some Government instruments available in May with a very tight spread to Financial Institution instruments. In addition, the 2 and 3 month Financial Institution instruments were pricing in a high probability of an interest rate increase in May. After doing our own analysis staff found it beneficial to take advantage of these instruments to cover some of the more predictable very short term cash requirements and use Financial Institution instruments to target requirements in the 2 and 3 month terms. This was particularly useful given the relatively high demand for cash in May for debt payments, etc.

Staff have begun making investments in Province of British Columbia Promissory Notes. While this Province has been rated R-1 Middle for some time, staff avoided this name as it had been indicated in the past that settlement was on a physical basis. After discussions with the HRM Custodian it was confirmed that this was no longer the case and settlement would be done on the same basis as Treasury Bills, etc. This expanded opportunity set was useful in implementing the strategy discussed above.

On May 1 the Province of Saskatchewan was upgraded by the Dominion Bond Rating Service to R-1 Middle. Although they have not been very active in the market as yet staff may consider them for future investments subject to confirmation of settlement process with the Brokers and Custodian. As with all investments with the Provinces the term will generally be kept to six months or less.

In anticipation of the large inflows of cash on May 31 and June 1 for the maturity of Province of Nova Scotia Promissory Notes and the Spring Debenture issue, as well as to manage the event risk around the release of Canadian GDP figures May 31, staff invested \$10 million on May 30 in Business Development Bank Discounted Notes for June 1 settlement. The Reverse Enquiry method was used. This technique has been discussed in a separate report to the Committee.

Staff also purchased some one year Government of Canada Treasury Bills on a When Issued basis to further take advantage of the surge in yields after the strong job creation numbers in Canada reported June 9 and when these yields backed up again with the US CPI report June 14. The settlement of these purchases coincided with the maturity of some \$12 million of Treasury Bills purchased the previous year

Outlook & Strategy

On May 24 the Bank of Canada raised rates for the 7th time in a row bringing the Overnight Rate to 4.25%. They also signaled that this would be the last increase for some time and that this level of rates would be sufficient to deliver their base case assumptions for inflation and economic growth. This position was confirmed at the July meeting when they did not raise rates and provided a balanced outlook. Staff took advantage of the relatively higher rates available in the one year term in June to lock in yield. This will help to support the budget objective and put a floor under future returns. Staff will now be focusing on matching investments to cash needs.

Staff anticipate that there may be another Quarter of below median relative performance on for certain time periods as the investments made prior to and in the earlier stages of the Bank of Canada tightening cycle mature.

Investment Activities
Quarter Ending March 31, 2006
Council Report

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September 5, 2006

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. The funded ratio of the Reserves was 91%. This may change however when all year end adjustments are finalized.

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

Competitive Return on Investment - In light of the investment performance reported above, staff maintain that this objective is being met. Although relative performance was below median on a Quarterly basis the one year return was at median even before taking fees into consideration.

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 @ March 31, 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



Economic Statistics

	Canada	US
Unemployment Rate	Jan 6.6%, Feb 6.4%, Mar 6.3%	Jan 4.7%, Feb 4.8%, Mar 4.7%
Jobs Created / (Lost) (‘000's)	Jan 26.3, Feb 24.7, Mar 50.5	Jan 154, Feb 200, Mar 200
CPI (year over year)	Jan 2.8%, Feb 2.2%, Mar 2.2%	Jan 4.0%, Feb 3.6%, Mar 3.4%
CPI-X (Core) (year over year)	Jan 1.7%, Feb 1.7%, Mar 1.7%	Jan 2.1%, Feb 2.1%, Mar 2.1%
GDP Q1	3.8%	4.8% A

Central Bank Activities January 1 to March 31, 2006

- January 24 - Bank of Canada Increases Rate 25 bps to 3.50%, Bias Tighten
- March 7 - Bank of Canada Increases Rate 25 bps to 3.75%, Bias Tighten
- January 31 - US Federal Open Market Committee Increases Rate 25 bps to 4.50%, Bias Tighten
- March 28 - US Federal Open Market Committee Increases Rate 25 bps to 4.75%, Bias Tighten

Total Investments
Sector Weights
@ March 31, 2006

Schedule A

	<u>Catagory Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$104,784,090	80%	\$130,937,394	100%	\$26,153,304	20%
Federal Government	Open	\$101,828,970	78%				
Business Development Bank	Open	\$0	0%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$2,955,120	2%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$0	0%	\$130,937,394	100%	\$130,937,394	100%
Total Alberta (R-1 High)	Open	\$0	0%	\$32,734,349	25%	\$32,734,349	25%
Alberta (R-1 High)	Open						
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0					
British Columbia (R-1 Mid)	Open			\$32,734,349	25%	\$32,734,349	25%
Manitoba (R-1 Low)	Closed			\$32,734,349	25%	\$32,734,349	
New Brunswick (R-1 Low)	Closed			\$32,734,349	25%	\$32,734,349	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$32,734,349	25%	\$32,734,349	
Nova Scotia (R-1 Low)	Closed			\$32,734,349	25%	\$32,734,349	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$32,734,349	25%	\$32,734,349	
Ontario (R-1 Mid)	Open	\$0	0%	\$32,734,349	25%	\$32,734,349	25%
Prince Edward Island (R-1 Low)	Closed			\$32,734,349	25%	\$32,734,349	
Quebec (R-1 Low)	Closed			\$32,734,349	25%	\$32,734,349	
Saskatchewan (R-1 Low)	Closed			\$32,734,349	25%	\$32,734,349	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$32,734,349	25%	\$32,734,349	25%
Calgary (R-1 Mid)	Open			\$13,093,739	10%	\$13,093,739	10%
Edmonton (R-1 High)	Open			\$13,093,739	10%	\$13,093,739	10%
Winnipeg (R-1 Mid)	Open			\$13,093,739	10%	\$13,093,739	10%
BA's Schedule A							
Financial Institutions & their Guarantees	Mid	\$26,153,304	20%	\$32,734,349	25%	\$6,581,044	5%
Bank of Montreal (R-1 Mid)	Open	\$6,971,890	5%	\$13,093,739	10%	\$6,121,849	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$7,987,900	6%	\$13,093,739	10%	\$5,105,839	4%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$13,093,739	10%	\$13,093,739	10%
Laurentian Bank (R-1 Low)	Closed			\$13,093,739	10%	\$13,093,739	
National Bank of Canada (R-1 Low)	Closed			\$13,093,739	10%	\$13,093,739	
Royal Bank (R-1 Mid)	Open	\$0 }	9%	\$13,093,739	10%	\$1,900,225	1%
Royal Bank 1 Day BA		\$11,193,514 }					
Toronto Dominion (R-1 Mid)	Open	\$0	0%	\$13,093,739	10%	\$13,093,739	10%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$130,937,394	100%				
<u>FIXED (Bonds, etc. over one year)</u>							
Federal Government & its Guarantees							
Federal Government (AAA)		\$21,846,024					
Province of Nova Scotia (A-Low)		\$66,800,000					
TOTAL FIXED		\$88,646,024					
<u>EQUITIES</u>							
Bank of Montreal		\$6,410					
TOTAL EQUITIES		\$6,410					
TOTAL INVESTMENTS		\$219,589,828					
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$14,308,769					
TOTAL INVESTMENTS & O/S Cheques Coverage		\$233,898,597					

Operating Fund
Sector Weights
@ March 31, 2006

Schedule B

	<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>
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$0	0%	\$0	100%	\$0	0%
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%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$0	0%	\$0	100%	\$0	0%
Total Alberta (R-1 High)	Open	\$0	0%	\$0	25%	\$0	0%
Alberta (R-1 High)	Open						
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$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	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$0	25%	\$0	0%
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%
BA's Schedule A							
Canadian Banks R-1							
Financial Institutions & their Guarantees	Mid	\$0	0%	\$0	25%	\$0	0%
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						
Total Investments		\$0	0%				
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$14,308,769					
Total Cash and Investments		\$14,308,769					

Capital Fund
Sector Weights
@ March 31, 2006

Schedule C

	<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>
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$0	0%	\$0	100%	\$0	0%
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%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$0	0%	\$0	100%	\$0	0%
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	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0	0%	\$0	25%	\$0	0%
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%
BA's Schedule A Canadian Banks R-1							
Financial Institutions & their Guarantees	Mid	\$0	0%	\$0	25%	\$0	0%
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						
Total Investments		\$0	0%				

**Reserve Funds
Sector Weights
@ March 31, 2006**

Schedule D

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$102,509,202	80%	\$128,094,712	100%	\$25,585,510	20%
Federal Government	Open	\$99,618,238	78%				
Business Development Bank	Open	\$0	0%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$2,890,964	2%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$0	0%	\$128,094,712	100%	\$128,094,712	100%
Total Alberta (R-1 High)	Open	\$0	0%	\$32,023,678	25%	\$32,023,678	25%
Alberta (R-1 High)	Open						
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0					
British Columbia (R-1 Mid)	Open			\$32,023,678	25%	\$32,023,678	25%
Manitoba (R-1 Low)	Closed			\$32,023,678	25%	\$32,023,678	
New Brunswick (R-1 Low)	Closed			\$32,023,678	25%	\$32,023,678	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$32,023,678	25%	\$32,023,678	
Nova Scotia (R-1 Low)	Closed			\$32,023,678	25%	\$32,023,678	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$32,023,678	25%	\$32,023,678	
Ontario (R-1 Mid)	Open	\$0	0%	\$32,023,678	25%	\$32,023,678	25%
Prince Edward Island (R-1 Low)	Closed			\$32,023,678	25%	\$32,023,678	
Quebec (R-1 Low)	Closed			\$32,023,678	25%	\$32,023,678	
Saskatchewan (R-1 Low)	Closed			\$32,023,678	25%	\$32,023,678	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$32,023,678	25%	\$32,023,678	25%
Calgary (R-1 Mid)	Open			\$12,809,471	10%	\$12,809,471	10%
Edmonton (R-1 High)	Open			\$12,809,471	10%	\$12,809,471	10%
Winnipeg (R-1 Mid)	Open			\$12,809,471	10%	\$12,809,471	10%
BA's Schedule A Canadian Banks R-1							
Financial Institutions & their Guarantees	Mid	\$25,585,510	20%	\$32,023,678	25%	\$6,438,168	5%
Bank of Montreal (R-1 Mid)	Open	\$6,820,529	5%	\$12,809,471	10%	\$5,988,943	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$7,814,481	6%	\$12,809,471	10%	\$4,994,990	4%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$12,809,471	10%	\$12,809,471	10%
Laurentian Bank (R-1 Low)	Closed			\$12,809,471	10%	\$12,809,471	
National Bank of Canada (R-1 Low)	Closed			\$12,809,471	10%	\$12,809,471	
Royal Bank (R-1 Mid)	Open	\$0 }	9%	\$12,809,471	10%	\$1,858,971	1%
Royal Bank 1 Day BA		\$10,950,501 }					
Toronto Dominion (R-1 Mid)	Open	\$0	0%	\$12,809,471	10%	\$12,809,471	10%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$128,094,712	59%				
FIXED (Bonds, etc. over one year)	Open (Special)						
Federal Government (AAA)		\$21,791,850					
Province of Nova Scotia (A-Low)		\$66,800,000	31%				
Total Investments		\$216,686,562	100%				

**Trust Funds
Sector Weights
@ March 31, 2006**

Schedule E

Category Status		Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$2,274,888	80%	\$2,842,683	100%	\$567,795	20%
Federal Government	Open	\$2,210,732	78%				
Business Development Bank	Open	\$0	0%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$64,156	2%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$0	0%	\$2,842,683	100%	\$2,842,683	100%
Total Alberta (R-1 High)	Open	\$0	0%	\$710,671	25%	\$710,671	25%
Alberta (R-1 High)	Open						
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0					
British Columbia (R-1 Mid)	Open			\$710,671	25%	\$710,671	25%
Manitoba (R-1 Low)	Closed			\$710,671	25%	\$710,671	
New Brunswick (R-1 Low)	Closed			\$710,671	25%	\$710,671	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$710,671	25%	\$710,671	
Nova Scotia (R-1 Low)	Closed			\$710,671	25%	\$710,671	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$710,671	25%	\$710,671	
Ontario (R-1 Mid)	Open	\$0	0%	\$710,671	25%	\$710,671	25%
Prince Edward Island (R-1 Low)	Closed			\$710,671	25%	\$710,671	
Quebec (R-1 Low)	Closed			\$710,671	25%	\$710,671	
Saskatchewan (R-1 Low)	Closed			\$710,671	25%	\$710,671	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0	0%	\$710,671	25%	\$710,671	25%
Calgary (R-1 Mid)	Open			\$284,268	10%	\$284,268	10%
Edmonton (R-1 High)	Open			\$284,268	10%	\$284,268	10%
Winnipeg (R-1 Mid)	Open			\$284,268	10%	\$284,268	10%
BA's Schedule A							
Canadian Banks R-1							
Financial Institutions & their Guarantees	Mid	\$567,795	20%	\$710,671	25%	\$142,876	5%
Bank of Montreal (R-1 Mid)	Open	\$151,361	5%	\$284,268	10%	\$132,907	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$173,419	6%	\$284,268	10%	\$110,849	4%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$284,268	10%	\$284,268	10%
Laurentian Bank (R-1 Low)	Closed			\$284,268	10%	\$284,268	
National Bank of Canada (R-1 Low)	Closed			\$284,268	10%	\$284,268	
Royal Bank (R-1 Mid)	Open	\$0 }	9%	\$284,268	10%	\$41,254	1%
Royal Bank 1 Day BA		\$243,014 }					
Toronto Dominion (R-1 Mid)	Open	\$0	0%	\$284,268	10%	\$284,268	10%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$2,842,683	98%				
FIXED (Bonds, etc. over one year)							
Federal Government & its Guarantees							
Federal Government		\$54,175	2%				
TOTAL FIXED							
EQUITIES							
Bank of Montreal		\$6,410	0%				
TOTAL EQUITIES							
Total Investments		\$2,903,266	100%				