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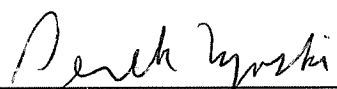


PO Box 1749  
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**Halifax Regional Council**  
**January 17, 2006**

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

**SUBMITTED BY:**   
S. Dale MacLennan, CA, Director of Finance

  
Derek Tynski, Acting Manager Strategic Capital Projects

**DATE:** January 4, 2006

**SUBJECT:** Investment Activities - Quarter Ending September 30, 2005

### 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, 2005 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, 2005:

Money Market Funds	3 Months (to Sept. 30, 2005)	9 Months (to Sept 30, 2005)	1 Year (to Sept 30, 2005)
5 <sup>th</sup> Percentile	0.7%	2.0%	2.7%
1 <sup>st</sup> Quartile	0.7%	2.0%	2.6%
Mercer Median	0.7%	2.0%	2.6%
3 <sup>rd</sup> Quartile	0.6%	1.9%	2.5%
95 <sup>th</sup> Percentile	0.6%	1.7%	2.1%
SC 91 Day T-Bills	0.6%	1.8%	2.5%
<b>HRM</b>	<b>0.69%</b>	<b>1.98%</b>	<b>2.60%</b>

Performance continues to be competitive with externally managed Money Market Funds measured by the Mercer Survey. This particular Survey covered 36 funds with a total value of \$6.3 billion.

With a Bank of Canada interest rate increase widely anticipated for October 17 by the market, the yield curve was such that staff were able to avoid the issue highlighted in previous reports of making government investments below the rate offered by the HRM bank account to satisfy the Investment Policy Sector Weight guidelines.

During the Quarter there were 38 Money Market investments made with an average term to maturity of 176 days. Four million dollars of Government of Canada Treasury Bills maturing September 8, 2005 were sold August 12 for a profit of \$1,380 with the proceeds used to purchase Government of Canada Treasury Bills maturing August 10, 2006 to lock in the yield available at that time.

The most recent projection of Investment Income for the Operating Fund indicates total year revenue of \$2,100,000 versus an initial budget of \$1,340,000. Higher than budgeted interest rates as well as higher residual cash balances for the Operating Fund are the cause of this positive variance. The timing of the Bank of Canada's shift to tightening mode, with the first in what has been perceived as a string of interest rate increases occurring in early September, has been particularly beneficial with the proceeds of the Property Tax billing being invested in the higher interest rate environment. Investment Income for the Reserve Funds has been projected to be \$7,004,000 versus a budget of \$6,192,000. Higher than anticipated rates of return is the primary driver of this variance.

#### HRM Short Term Bond Pool

There were no additions made to the Short Term Bond Pool during the Quarter. A review of the current bond strategy was the subject of a separate report to the Committee. The Committee concurred with a staff recommendation to include Canada Mortgage and Housing Corporation Canada Mortgage Bonds as potential investments for the Short Term Bond Pool. These instruments carry the Government of Canada guarantee and a AAA rating. They also offer a yield premium of approximately 9 bps over comparable Government of Canada Bonds.

Staff will also change the target amount for the Short Term Bond Pool from an initial potential allocation of \$25 million to a percentage of the moving average of available Reserve balances. This methodology would suggest a current Bond Pool target size of \$34.7 million. The current very narrow spreads between the 1 Year Government of Canada Treasury Bills and 5 Year Government of Canada Bonds suggests the use of caution and patience in accumulating investments to the target amount. To the end of November 2005 there have been purchases totaling \$15.4 million for the Short Term Bond Pool and incremental income of \$55,897 over what would have been earned in the Money Market Pool.

#### Targeted Reserve Fund Investments

Updated Harbour Solutions cash flow projections became available on September 30. This indicated a considerable level of expenditures over the next six months. On September 30 and during the week of October 3 a number of investments were made to mature to meet the projected level of expenditures. These projections indicate that funds will be completely expended for this Project by June 2008. The extreme narrowing of spreads between the one year Government of Canada Treasury Bills and short term bonds will be a factor in how best to invest given this time horizon.

Canada Mortgage and Housing Corporation Canada Mortgage Bonds will also be considered for purchase as Targeted Harbour Solutions investments.

#### Cash Flows

Late in July staff were advised that the closing date for the \$24,000,000 capital purchase previously

discussed would be delayed from August 2 to August 5. Staff re-allocated investment maturities and made new investments to keep within the Sector Weights of the Policy.

In mid-August HRM staff were approached by a major supplier offering a discount for early payment on invoices totaling some \$8,000,000. After some discussion the original discount offer was increased resulting in very attractive terms to HRM. A number of HRM staff worked quickly to execute this transaction and realize an excellent rate of return on this cash.

On September 30 the maturity of some \$30,000,000 of Province of Nova Scotia Promissory Notes coincided with the Property Tax due date which generally brings in some \$40,000,000 to \$50,000,000. In anticipation of this abnormally large in flow of cash, staff purchased \$10,000,000 of CMHC Discounted Notes on September 29 for settlement on September 30. Given that staff had already made investment purchases of \$38,000,000 during the week of September 26 and with event risk from Deputy Governor Longworth speaking the evening of September 29 and Canadian July GDP figures being released the morning of September 30, staff thought it prudent to use some moderation in pre-investing these anticipated cash in-flows.

On September 30 staff purchased an additional \$22,600,000 of investments. Actual deposits, excluding maturity of the Nova Scotia Promissory Notes were approximately \$59,000,000. The combined receipt of the proceeds of the maturity of the Nova Scotia Promissory Notes and tax payments resulted in the Royal Bank allocation being exceeded by \$29,000,000 and the Financial Sector Weight category in total being exceeded by some \$18,000,000 for September 30 when all of the deposit information became available on Monday October 3. Some \$30,000,000 of investments were made on October 3 to bring the cash in the Royal Bank accounts down to a level in line with the Sector Weights. Including October 3, \$62,000,000 of investments were purchased the week of October 3. These actions were discussed with the Committee and there was agreement that under the circumstances staff acted appropriately.

#### Subsequent to End of Reporting Quarter

Actual expenditures on the Harbour Solutions Project have been considerably below the projections provided September 30. Staff have requested that these projections be reviewed as there is the potential to free up some of this cash for longer term investments at higher rates.

The Minister of Service Nova Scotia and Municipal Relations has approved the amended Investment Policy as approved by Council November 22, 2005.

#### Policy Compliance

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

**Investment Activities**  
**Quarter Ending September 30, 2005**  
**Council Report**

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**January 17, 2006**

Preservation of Capital - There was no loss of capital during the Quarter and all investments were held to maturity with the exception of the one sale discussed above.

Liquidity - No overdraft charges were incurred and sufficient cash was available to meet all requirements. The funded ratio of the Reserves has been maintained at 100% during the Quarter.

Diversification of Investment Portfolio - Staff believe that the Diversification Objective of managing risk and return has been achieved. The Sector Weight for the HRM Royal Bank account and the Financial Institutions Sector exceeded the Policy guidelines by \$29,000,000 and \$18,000,000 respectively over the weekend of September 30 as outlined in the body of this report. The Committee recognizes management discretion in balancing short term extremes in cash flows and the Sector Weight guidelines of the Policy and in this case believes that staff acted appropriately.

Competitive Return on Investment - In light of the investment performance reported above, staff maintain that this objective is being met.

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, 2005 (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, Acting Manager Strategic Capital Projects

Approved by: Derek Tynski, BA, CMA, Acting Manager Strategic Capital Projects *MT*

## Appendix A

### Economic Statistics

	Canada	US
Unemployment Rate	July 6.8% , Aug 6.8%, Sep 6.7%	July 5.0% , Aug 4.9%, Sep 5.1%
Jobs Created / (Lost) ( '000's)	July 5.9, Aug 27.5, Sep (2.3)	July 242 , Aug 148, Sep (8)
CPI (year over year)	July 2.0%, Aug 2.6%, Sep 3.4%	July 3.2%, Aug 3.6%, Sep 4.7%
CPI-X (Core) (year over year)	July 1.4% , Aug 1.7%, Sep 1.7%	July 2.1%, Aug 2.1%, Sep 2.0%
GDP Q3	3.6%	4.3%

### Central Bank Activities July 1 to September 30, 2005

- July 12 - Bank of Canada Maintains Rate @ 2.50%, Bias Tighten
- September 7 - Bank of Canada Increases Rate 25 bps to 2.75%, Bias Tighten
- August 9 - US Federal Open Market Committee Increases Rate 25 bps to 3.50%, Bias Tighten
- September 20 - US Federal Open Market Committee Increases Rate 25 bps to 3.75%, Bias Tighten

**Total Investments  
Sector Weights  
@ September 30, 2005**

**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>\$166,193,906</b>	<b>57%</b>	<b>\$289,147,671</b>	<b>100%</b>	<b>\$122,953,765</b>	<b>43%</b>
Federal Government	Open	\$117,194,753	41%				
Business Development Bank	Open	\$3,860,337	1%				
Canada Mortgage & Housing Corp.	Open	\$14,852,250	5%				
Canadian Wheat Board	Open	\$5,565,796	2%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$24,720,770	9%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$32,441,491</b>	<b>11%</b>	<b>\$289,147,671</b>	<b>100%</b>	<b>\$256,706,180</b>	<b>89%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$72,286,918	25%	\$72,286,918	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			\$72,286,918	25%	\$72,286,918	25%
Manitoba (R-1 Low)	Closed			\$72,286,918	25%	\$72,286,918	
New Brunswick (R-1 Low)	Closed			\$72,286,918	25%	\$72,286,918	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$72,286,918	25%	\$72,286,918	
Nova Scotia (R-1 Low)	Closed			\$72,286,918	25%	\$72,286,918	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$72,286,918	25%	\$72,286,918	
Ontario (R-1 Mid)	Open	\$32,441,491	11%	\$72,286,918	25%	\$39,845,427	14%
Prince Edward Island (R-1 Low)	Closed			\$72,286,918	25%	\$72,286,918	
Quebec (R-1 Low)	Closed			\$72,286,918	25%	\$72,286,918	
Saskatchewan (R-1 Low)	Closed			\$72,286,918	25%	\$72,286,918	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$72,286,918</b>	<b>25%</b>	<b>\$72,286,918</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$28,914,767	10%	\$28,914,767	10%
Edmonton (R-1 High)	Open			\$28,914,767	10%	\$28,914,767	10%
Winnipeg (R-1 Mid)	Open			\$28,914,767	10%	\$28,914,767	10%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$90,512,274</b>	<b>31%</b>	<b>\$72,286,918</b>	<b>25%</b>	<b>(\$18,225,357)</b>	<b>-6%</b>
Bank of Montreal (R-1 Mid)	Open	\$0	0%	\$28,914,767	10%	\$28,914,767	10%
Bank of Nova Scotia (R-1 Mid)	Open	\$4,961,250	2%	\$28,914,767	10%	\$23,953,517	8%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$7,973,860	3%	\$28,914,767	10%	\$20,940,907	7%
Laurentian Bank (R-1 Low)	Closed			\$28,914,767	10%	\$28,914,767	
National Bank of Canada (R-1 Low)	Closed			\$28,914,767	10%	\$28,914,767	
Royal Bank (R-1 Mid)	Open	\$0	20%	\$28,914,767	10%	(\$28,762,647)	-10%
Royal Bank 1 Day BA		\$57,677,414					
Toronto Dominion (R-1 Mid)	Open	\$19,899,750	7%	\$28,914,767	10%	\$9,015,017	3%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>		<b>\$289,147,671</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
<b>Federal Government &amp; its Guarantees</b>							
Federal Government (AAA)		\$20,905,205					
Province of Nova Scotia (A-Low)		\$69,600,000					
<b>TOTAL FIXED</b>		<b>\$90,505,205</b>					
<b>EQUITIES</b>							
Bank of Montreal		\$6,410					
<b>TOTAL EQUITIES</b>		<b>\$6,410</b>					
<b>TOTAL INVESTMENTS</b>		<b>\$379,659,286</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$21,437,427					
<b>TOTAL INVESTMENTS &amp; O/S Cheques Coverage</b>		<b>\$401,096,713</b>					

**Operating Fund  
Sector Weights  
@ September 30, 2005**

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>	<b>Open</b>	<b>\$95,253,147</b>	<b>57%</b>	<b>\$166,559,539</b>	<b>100%</b>	<b>\$71,306,392</b>	<b>43%</b>
Federal Government	Open	\$66,836,345	40%				
Business Development Bank	Open	\$2,238,782	1%				
Canada Mortgage & Housing Corp.	Open	\$8,613,485	5%				
Canadian Wheat Board	Open	\$3,227,854	2%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$14,336,681	9%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$18,814,273</b>	<b>11%</b>	<b>\$166,559,539</b>	<b>100%</b>	<b>\$147,745,266</b>	<b>89%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$41,639,885	25%	\$41,639,885	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			\$41,639,885	25%	\$41,639,885	25%
Manitoba (R-1 Low)	Closed			\$41,639,885	25%	\$41,639,885	
New Brunswick (R-1 Low)	Closed			\$41,639,885	25%	\$41,639,885	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$41,639,885	25%	\$41,639,885	
Nova Scotia (R-1 Low)	Closed			\$41,639,885	25%	\$41,639,885	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$41,639,885	25%	\$41,639,885	
Ontario (R-1 Mid)	Open	\$18,814,273	11%	\$41,639,885	25%	\$22,825,612	14%
Prince Edward Island (R-1 Low)	Closed			\$41,639,885	25%	\$41,639,885	
Quebec (R-1 Low)	Closed			\$41,639,885	25%	\$41,639,885	
Saskatchewan (R-1 Low)	Closed			\$41,639,885	25%	\$41,639,885	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$41,639,885</b>	<b>25%</b>	<b>\$41,639,885</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$16,655,954	10%	\$16,655,954	10%
Edmonton (R-1 High)	Open			\$16,655,954	10%	\$16,655,954	10%
Winnipeg (R-1 Mid)	Open			\$16,655,954	10%	\$16,655,954	10%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$52,492,119</b>	<b>32%</b>	<b>\$41,639,885</b>	<b>25%</b>	<b>(\$10,852,235)</b>	<b>-7%</b>
Bank of Montreal (R-1 Mid)	Open	\$0	0%	\$16,655,954	10%	\$16,655,954	10%
Bank of Nova Scotia (R-1 Mid)	Open	\$2,877,251	2%	\$16,655,954	10%	\$13,778,703	8%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$4,624,398	3%	\$16,655,954	10%	\$12,031,556	7%
Laurentian Bank (R-1 Low)	Closed			\$16,655,954	10%	\$16,655,954	
National Bank of Canada (R-1 Low)	Closed			\$16,655,954	10%	\$16,655,954	
Royal Bank (R-1 Mid)	Open	\$0	20%	\$16,655,954	10%	(\$16,793,760)	-10%
Royal Bank 1 Day BA		\$33,449,714					
Toronto Dominion (R-1 Mid)	Open	\$11,540,756	7%	\$16,655,954	10%	\$5,115,198	3%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Total Investments</b>		<b>\$166,559,539</b>	<b>100%</b>				
<b>Interest Bearing Bank Accounts - O/S Cheque Coverage</b>		<b>\$21,437,427</b>					
<b>Total Cash and Investments</b>		<b>\$187,996,966</b>					



**Capital Fund  
Sector Weights  
@ September 30, 2005**

Schedule C

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>\$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, 2005**

Schedule D

<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>\$69,346,370</b>	<b>58%</b>	<b>\$119,800,185</b>	<b>100%</b>	<b>\$50,453,815</b>	<b>42%</b>
Federal Government	Open	\$49,239,672	41%				
Business Development Bank	Open	\$1,584,081	1%				
Canada Mortgage & Housing Corp.	Open	\$6,094,589	5%				
Canadian Wheat Board	Open	\$2,283,913	2%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$10,144,115	8%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$13,312,297</b>	<b>11%</b>	<b>\$119,800,185</b>	<b>100%</b>	<b>\$106,487,889</b>	<b>89%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$29,950,046	25%	\$29,950,046	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			\$29,950,046	25%	\$29,950,046	25%
Manitoba (R-1 Low)	Closed			\$29,950,046	25%	\$29,950,046	
New Brunswick (R-1 Low)	Closed			\$29,950,046	25%	\$29,950,046	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$29,950,046	25%	\$29,950,046	
Nova Scotia (R-1 Low)	Closed			\$29,950,046	25%	\$29,950,046	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$29,950,046	25%	\$29,950,046	
Ontario (R-1 Mid)	Open	\$13,312,297	11%	\$29,950,046	25%	\$16,637,750	14%
Prince Edward Island (R-1 Low)	Closed			\$29,950,046	25%	\$29,950,046	
Quebec (R-1 Low)	Closed			\$29,950,046	25%	\$29,950,046	
Saskatchewan (R-1 Low)	Closed			\$29,950,046	25%	\$29,950,046	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$29,950,046</b>	<b>25%</b>	<b>\$29,950,046</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$11,980,019	10%	\$11,980,019	10%
Edmonton (R-1 High)	Open			\$11,980,019	10%	\$11,980,019	10%
Winnipeg (R-1 Mid)	Open			\$11,980,019	10%	\$11,980,019	10%
<b>BA's Schedule A Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$37,141,519</b>	<b>31%</b>	<b>\$29,950,046</b>	<b>25%</b>	<b>(\$7,191,472)</b>	<b>-6%</b>
Bank of Montreal (R-1 Mid)	Open	\$0	0%	\$11,980,019	10%	\$11,980,019	10%
Bank of Nova Scotia (R-1 Mid)	Open	\$2,035,838	2%	\$11,980,019	10%	\$9,944,180	8%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$3,272,056	3%	\$11,980,019	10%	\$8,707,962	7%
Laurentian Bank (R-1 Low)	Closed			\$11,980,019	10%	\$11,980,019	
National Bank of Canada (R-1 Low)	Closed			\$11,980,019	10%	\$11,980,019	
Royal Bank (R-1 Mid)	Open	\$0	20%	\$11,980,019	10%	(\$11,687,785)	-10%
Royal Bank 1 Day BA		\$23,667,804					
Toronto Dominion (R-1 Mid)	Open	\$8,165,820	7%	\$11,980,019	10%	\$3,814,199	3%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>		<b>\$119,800,185</b>	<b>57%</b>				
<b>FIXED (Bonds, etc. over one year)</b>	<b>Open (Special)</b>						
Federal Government (AAA)		\$20,851,030					
Province of Nova Scotia (A-Low)		\$69,600,000	33%				
<b>Total Investments</b>		<b>\$210,251,215</b>	<b>100%</b>				

**Trust Funds  
Sector Weights  
@ September 30, 2005**

Schedule E

<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>\$1,594,389</b>	<b>57%</b>	<b>\$2,787,948</b>	<b>100%</b>	<b>\$1,193,558</b>	<b>43%</b>
Federal Government	Open	\$1,118,736	40%				
Business Development Bank	Open	\$37,474	1%				
Canada Mortgage & Housing Corp.	Open	\$144,176	5%				
Canadian Wheat Board	Open	\$54,029	2%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$239,974	9%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$314,922</b>	<b>11%</b>	<b>\$2,787,948</b>	<b>100%</b>	<b>\$2,473,026</b>	<b>89%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$696,987	25%	\$696,987	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			\$696,987	25%	\$696,987	25%
Manitoba (R-1 Low)	Closed			\$696,987	25%	\$696,987	
New Brunswick (R-1 Low)	Closed			\$696,987	25%	\$696,987	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$696,987	25%	\$696,987	
Nova Scotia (R-1 Low)	Closed			\$696,987	25%	\$696,987	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$696,987	25%	\$696,987	
Ontario (R-1 Mid)	Open	\$314,922	11%	\$696,987	25%	\$382,065	14%
Prince Edward Island (R-1 Low)	Closed			\$696,987	25%	\$696,987	
Quebec (R-1 Low)	Closed			\$696,987	25%	\$696,987	
Saskatchewan (R-1 Low)	Closed			\$696,987	25%	\$696,987	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>	<b>0%</b>	<b>\$696,987</b>	<b>25%</b>	<b>\$696,987</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$278,795	10%	\$278,795	10%
Edmonton (R-1 High)	Open			\$278,795	10%	\$278,795	10%
Winnipeg (R-1 Mid)	Open			\$278,795	10%	\$278,795	10%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$878,636</b>	<b>32%</b>	<b>\$696,987</b>	<b>25%</b>	<b>(\$181,650)</b>	<b>-7%</b>
Bank of Montreal (R-1 Mid)	Open	\$0	0%	\$278,795	10%	\$278,795	10%
Bank of Nova Scotia (R-1 Mid)	Open	\$48,161	2%	\$278,795	10%	\$230,634	8%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$77,405	3%	\$278,795	10%	\$201,390	7%
Laurentian Bank (R-1 Low)	Closed			\$278,795	10%	\$278,795	
National Bank of Canada (R-1 Low)	Closed			\$278,795	10%	\$278,795	
Royal Bank (R-1 Mid)	Open	\$0	20%	\$278,795	10%	(\$281,101)	-10%
Royal Bank 1 Day BA		\$559,896					
Toronto Dominion (R-1 Mid)	Open	\$193,174	7%	\$278,795	10%	\$85,620	3%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>		<b>\$2,787,948</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>\$2,848,533</b>	<b>102%</b>				