


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

**SUBMITTED BY:**   
Dale MacLennan, Director of Financial Services

  
Derek Tynski, Investment Analyst

**DATE:** December 10, 2002

**SUBJECT:** **Investment Activities - Quarters Ending June 30, 2002 and September 30, 2002**

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### **INFORMATION REPORT**

#### **ORIGIN**

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

#### **BACKGROUND**

The amended Investment Policy adopted by Regional Council April 23, 2002 received approval by the Minister of Service Nova Scotia and Municipal Relations on May 14, 2002. The Investment Policy calls for quarterly reporting by the Treasurer to Regional Council and the Investment Policy Advisory Committee (the Committee). Reports for the quarters ending June 30 and September 30 have been submitted to the Committee. In addition, at the request of the Committee, monthly updates have been provided to the Committee which summarize investment activities as well as economic and investment market conditions.

## DISCUSSION

Staff had been investing by balancing the Objectives of the Investment Policy as well as the constraints of Section 100(1) of the Municipal Government Act which requires the following with respect to Municipal funds (that they be):

- (a) “deposited in an interest bearing account at a bank doing business in the Province;
- (b) invested pursuant to an investment policy adopted by the Council and approved by the Minister; or
- (c) invested in investments in which a trustee is permitted to invest pursuant to the Trustee Act.”

With the formal approval of the Investment Policy in May staff began to fully implement the provisions of the Policy. A brief transition period of approximately two months was required to bring the Sector Weights fully in line with the Policy. This was accomplished by reducing exposure to interest bearing bank accounts. The Committee concurred with staff that this transition period was reasonable.

The balance of this report will focus on the following areas for the quarter ending September 30, 2002 as well as provide details of investments held at June 30 and September 30.

- 1) Economic and Investment Climate
- 2) Investment Activities
- 3) Investment Performance
- 4) Outlook

### 1) Economic and Investment Climate

Economic indicators in Canada reported during the 2<sup>nd</sup> and 3<sup>rd</sup> Quarters continued to show remarkable strength and resilience in the context of the mediocre results of our trading partners, particularly the United States. Canadian Gross Domestic Product (GDP) grew at a 4.3% annualized rate for the Second Quarter. Employment continues to surprise on the upside with 41,000 jobs created in September on the heels of the 23,000 and 59,000 jobs created in July and August respectively. However the September figure is somewhat less solid than previous with most of the job growth coming from part-time work. The Unemployment Rate also rose to 7.7% from 7.5% for August. Inflation has also surprised on the upside with year over year CPI increasing by 2.6% in August versus expectations of 2.3%. CPI-X, the Bank of Canada's preferred inflation measure, also jumped to 2.5% matching September 1995 for the highest figure since 1991.

By contrast, U.S. Second Quarter GDP managed only a 1.3% increase on an annualized basis. September U.S. Non-Farm Payrolls fell by 43,000 however there was a net upward revision of 55,000 to the July / August figures which in effect neutralized the loss. The Unemployment Rate fell to 5.6% in September from 5.7% in August. U.S. headline inflation for August rose to 1.7% on an annualized basis while core inflation was up to 2.4% for the same period.

While Canada's recent economic out-performance of the U.S. may be good for chest thumping it begs the question as to how long this can continue with some 80% of Canadian exports going to the U.S.

After raising rates in April, June and July, the Bank of Canada held rates on the September 4 and October 16 decision dates. The September decision surprised many market participants as an increase had already been factored into market interest rates. In explaining the October decision the Bank acknowledged strong growth in the Canadian economy and CPI above its target but cited a weakening global economic outlook, "reflecting uncertainty about economic, financial, and geopolitical developments, as well as a reduced tolerance for risk in global financial markets". However, the Bank continues to re-iterate the view that timely removal of monetary stimulus, i.e. higher interest rates, will be required going forward.

In the U.S., talk of rate cuts turned to action when, subsequent to September 30, 2002, the Federal Open Market Committee (FOMC) cut rates by ½ of 1% (50 basis points) at its November 6 meeting. This was a larger than expected rate cut with the consensus of market participants anticipating a cut of 1/4 of 1% (25 basis points). The move brought the Fed Funds Rate down to 1.25% and the Discount Rate to .75%. There is little room left for further cuts as zero is as low as they can go. This surprise move caused FOMC officials to go on the defensive to assure markets that the larger than expected reduction was not because some bad news was about to break but rather to provide insurance the tentative U.S. economic recovery would not stall out.

The investment climate continued to be strongly influenced by the decline in the Equity Markets. Commentary on Money Market activity usually was summed up by statements that these markets were trading off equities. This was certainly true at the end of September when the yield on 2 and 3 month Government of Canada Treasury Bills dropped a substantial 7 basis points from September 27 to Oct. 1. The timing couldn't have been worse from the perspective of HRM investments as this coincided with the property tax due date and the greatest influx of cash during the year.

## 2) Investment Activities

Investment quality continues to be the foremost consideration in the aftermath of the Enron bankruptcy and other financial scandals as well as the level of uncertainty in financial markets, geopolitical developments and economic conditions.

The Quarter ending September 30 was the first full Quarter after the approval of the Investment Policy. September 30 also marked the first property tax due date when investment activities were governed solely by the Policy. The property tax due date is a time when in excess of \$130,000,000 (or 26% of budgeted revenues) are received in a two week period.

Some 66 investments totaling \$231,371,875 were made during the Quarter. The bulk of this activity (38 investments) took place in September in response to the tax billing due date (12 additional investments totaling \$47,514,649 were made in the first four days of October). Staff re-instated investments in Banker's Acceptances for three of the five major Canadian Banks after being satisfied during their quarterly investor conference calls that their derivative exposures were moderate in relation to their overall size. This allowed implementation of a strategy of using the permissible Financial Institution room under the Policy to target these investments in the two month and under area to take advantage of the larger spread over Government Investments in this shorter term. The shorter period for these instruments also serves as a risk control measure.

The use of Banker's Acceptances facilitated the positioning of some funds around the October 16 Bank of Canada rate decision date to take advantage of any rate increase. Some of these funds are now being rolled over to meet cash requirements as there is a greater variety of dates available for Banker's Acceptances. However, a balanced approach has been implemented by placing a greater proportion of investments in the 3 to 6 month area to offset the risk that the Bank of Canada may not go through with any rate increases for an extended period. This has been beneficial in the last two instances when rates were left unchanged September 4 and October 16.

Regarding the specific Investment Policy Objectives, the objective of Adherence to Legal Requirements was met through compliance with Section 100(1) of the Municipal Government Act.

The approval by the Minister of the Investment Policy provides formal recognition for the use of the Policy for investment activities.

The interest bearing bank accounts ceased to be an active part of the investment strategy during the Quarters with balances held for investment purposes brought in line with the Sector Weights of the Policy. A target balance of \$10,000,000 was adopted to meet liquidity requirements. These accounts continue to offer attractive interest rates.

The Preservation of Capital Objective was met through the maintenance of the high quality level of investments with 63% in R1-High Instruments of the Federal Government and its Guarantees, 16% in R1- Middle Provincial Government Instruments and 21% in R1-Middle Banker's Acceptances at September 30, 2002. Summaries of investments held at June 30, 2002 and September 30, 2002 are attached.

With regards to Liquidity, the high quality and emphasis on the shorter term of investments ensure that funds will be available when required. The average daily closing consolidated cash balance for September was \$15,339,000. There were a number of special factors that led to the above target balances. At the beginning of September a \$7,000,000 cheque that was issued remained un-cashed for five days into the month. Towards the end of the month the amount of deposits after the morning investments were made sometimes outpaced expectations. Staff generally took the position of not investing funds until they were known to be in the bank accounts. The attached schedule shows monthly actual and projected cash and investment balances. These forecasts will be continuously updated.

A greater level of Diversification of the Investment Portfolio was attained during the Quarters with investments in the Federal Government, the Business Development Bank, Canada Mortgage and Housing, Canadian Wheat Board, Farm Credit Corporation, Province of Ontario, Alberta Municipal Finance Corporation and various Financial Institutions.

Staff have maintained a competitive bidding process when placing funds for investment.

3) Investment Performance

Investment income for 2002/03 is currently projected at \$4,500,000 which would exceed the budget of \$3,396,000 by \$1,104,000. The favorable variance is due to higher than anticipated interest rates, higher cash balances, and active management.

Staff have obtained Money Market Fund performance data from Mercer Investment Consulting for the quarter ending June 30, 2002 which are summarized as follows:

Money Market Funds	3 Months (%)	
5 <sup>th</sup> Percentile	0.7	
1 <sup>st</sup> Quartile	0.6	
<b>Mercer Median</b>	<b>0.6</b>	<b>HRM</b>
3 <sup>rd</sup> Quartile	0.6	
95 <sup>th</sup> Percentile	0.5	
SC 91 Day T-Bills	0.6	

The Mercer figures are time weighted rates of return and are net of transaction costs but before management fees. The data is from a survey of 39 Canadian Institutional Money Market Funds. Average market asset value of these Funds is \$215,000,000 compared to the HRM total of

\$193,000,000 at June 30, 2002.

The time weighted rate of return for the HRM portfolio for the three months ending June 30 is .6% (.59%) which is somewhere in the middle of the pack in performance compared to the Mercer data. Unfortunately, the Mercer data is not available to anymore decimal places so that a better read on performance could be obtained. On a comparable basis, the HRM Portfolio earned a return of .66% for the Quarter ending September 30. Staff are anxious to see how this return compares once the Mercer performance data is available for that Quarter. The HRM rate of return at the end of the September 30, 2002 Quarter was 2.76%.

#### 4) Outlook

In the wake of the Dominion Bond Rating Service (DBRS) report on Canadian Banks published October 9, staff conducted a further survey of the opinions of other bond rating agency's. Based on this review staff have begun to cautiously move into the money market instruments of all of the big five Canadian Banks.

The surprise 1/2% cut in U.S. rates had an immediate impact on the outlook for interest rates in Canada. Prior to this the debate had been as to when the Bank of Canada would resume its stated course of increasing rates (there have been 3 rate increases in Canada this year). Now the predictions have moved into three dimensions; hold, increase or cut Canadian rates. To illustrate, six month Government of Canada Treasury Bills (T-Bills) have gone from a yield of 2.90% as at October 17 to 2.72% as at November 14. The spread between one and six month T-Bills has also declined from 32 basis points as at October 17 to 17 basis points as at November 14, reflecting reduced market anticipation of increases in rates as well as the increased possibility that rates could be cut in Canada.

At this time staff are of the opinion that the Bank of Canada will hold rates at current levels for at least the next two rate setting dates of December 4 and January 21. Based on this assumption staff are confident that the current investment income target of \$4,500,000 for 2002/03 remains achievable. Staff continue to take measures to protect this figure against downside interest rate risk. Forecasts of interest rates and investment income for the upcoming fiscal year 2003/04, however, have become more problematic. In this period where there is neither consistent economic growth nor predictable economic downturns financial forecasting of any kind may be becoming more art than science. Layered on this already complex picture are the global geopolitical risks which seem to change daily.

**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**

1. Summary of Investments @ June 30, 2002
2. Sector Weights @ June 30, 2002
3. Actual Versus Projected Month End Balances
4. Summary of Investments @ September 30, 2002
5. Sector Weights @ September 30, 2002

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.

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Approved by: Reg Ridgley, CGA, Manager, Strategic Project Support

Summary of Investment @ June 30, 2002

<u>Date of Purchase</u>	<u>Issuer</u>	<u>Instrument</u>	<u>Price</u>	<u>Yield</u>	<u>Cost</u>	<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>DBRS Rating</u>
12-Oct-01	Government of Canada	Treasury Bills	97.178	2.92%	\$3,887,120	10-Oct-02	\$4,000,000	R-1 High
26-Oct-01	Government of Canada	Treasury Bills	97.908	2.43%	\$3,916,320	12-Sep-02	\$4,000,000	R-1 High
16-Nov-01	Government of Canada	Treasury Bills	97.601	2.52%	\$3,904,040	07-Nov-02	\$4,000,000	R-1 High
20-Nov-01	Government of Canada	Treasury Bills	97.701	2.44%	\$3,908,040	07-Nov-02	\$4,000,000	R-1 High
22-Nov-01	Government of Canada	Treasury Bills	97.595	2.57%	\$3,903,800	07-Nov-02	\$4,000,000	R-1 High
17-Dec-01	Government of Canada	Treasury Bills	97.704	2.43%	\$4,885,200	05-Dec-02	\$5,000,000	R-1 High
18-Dec-01	Government of Canada	Treasury Bills	97.793	2.34%	\$4,889,650	05-Dec-02	\$5,000,000	R-1 High
18-Jan-02	Government of Canada	Bond Residual	97.624	2.35%	\$4,881,200	01-Feb-03	\$5,000,000	AAA
22-Jan-02	Government of Canada	Treasury Bills	98.479	2.16%	\$3,939,160	10-Oct-02	\$4,000,000	R-1 High
22-Jan-02	Government of Canada	Treasury Bills	99.102	2.03%	\$3,964,080	04-Jul-02	\$4,000,000	R-1 High
28-Jan-02	Government of Canada	Treasury Bills	99.105	2.10%	\$3,964,200	04-Jul-02	\$4,000,000	R-1 High
11-Feb-02	Government of Canada	Treasury Bills	99.007	2.14%	\$1,980,140	01-Aug-02	\$2,000,000	R-1 High
11-Feb-02	Government of Canada	Treasury Bills	97.676	2.46%	\$1,953,520	30-Jan-03	\$2,000,000	R-1 High
13-Feb-02	Government of Canada	Treasury Bills	97.607	2.55%	\$1,952,140	30-Jan-03	\$2,000,000	R-1 High
13-Feb-02	Government of Canada	Treasury Bills	98.996	2.19%	\$1,979,920	01-Aug-02	\$2,000,000	R-1 High
13-Feb-02	Government of Canada	Treasury Bills	98.915	2.20%	\$1,978,300	15-Aug-02	\$2,000,000	R-1 High
14-Feb-02	Government of Canada	Treasury Bills	97.836	2.50%	\$1,956,720	03-Jan-03	\$2,000,000	R-1 High
14-Feb-02	Government of Canada	Treasury Bills	98.97	2.17%	\$1,979,400	15-Aug-02	\$2,000,000	R-1 High
21-Feb-02	Government of Canada	Treasury Bills	97.915	2.46%	\$1,958,300	15-Aug-02	\$2,000,000	R-1 High
21-Feb-02	Government of Canada	Treasury Bills	98.596	2.30%	\$1,971,920	03-Jan-03	\$2,000,000	R-1 High
26-Feb-02	Government of Canada	Treasury Bills	97.922	2.49%	\$1,958,440	10-Oct-02	\$2,000,000	R-1 High
26-Feb-02	Government of Canada	Treasury Bills	97.461	2.62%	\$1,949,220	03-Jan-03	\$2,000,000	R-1 High
01-Mar-02	Government of Canada	Treasury Bills	97.418	2.71%	\$1,948,360	27-Feb-03	\$2,000,000	R-1 High
07-Mar-02	Government of Canada	Treasury Bills	98.779	2.40%	\$1,975,580	27-Feb-03	\$2,000,000	R-1 High
08-Mar-02	Government of Canada	Treasury Bills	96.982	3.36%	\$1,939,640	12-Sep-02	\$2,000,000	R-1 High
26-Mar-02	Government of Canada	Treasury Bills	98.801	2.62%	\$1,976,020	27-Feb-03	\$2,000,000	R-1 High
27-Mar-02	Government of Canada	Treasury Bills	99.39	2.31%	\$1,987,800	12-Sep-02	\$2,000,000	R-1 High
12-Apr-02	Government of Canada	Treasury Bills	99.42	2.42%	\$3,976,800	18-Jul-02	\$2,000,000	R-1 High
19-Apr-02	CIBC	Banker's Acceptance	99.457	2.40%	\$3,480,995	16-Jul-02	\$4,000,000	R-1 Mid
19-Apr-02	Bank of Nova Scotia	Banker's Acceptance	99.422	2.41%	\$3,976,880	11-Jul-02	\$3,500,000	R-1 Mid
22-Apr-02	Royal	Banker's Acceptance	99.481	2.41%	\$3,979,240	19-Jul-02	\$4,000,000	R-1 Mid
24-Apr-02	TD Bank	Banker's Acceptance	99.464	2.43%	\$7,957,120	12-Jul-02	\$4,000,000	R-1 Mid
25-Apr-02	CIBC	Banker's Acceptance	99.468	2.44%	\$3,978,720	15-Jul-02	\$8,000,000	R-1 Mid
26-Apr-02	Bank of Nova Scotia	Banker's Acceptance	99.492	2.45%	\$3,482,220	15-Jul-02	\$4,000,000	R-1 Mid
30-Apr-02	TD Bank	Banker's Acceptance	99.499	2.45%	\$3,979,960	15-Jul-02	\$3,500,000	R-1 Mid
01-May-02	Bank of Nova Scotia	Banker's Acceptance	98.16	2.85%	\$1,963,200	15-Jul-02	\$4,000,000	R-1 Mid
08-May-02	Government of Canada	Treasury Bills	98.805	2.66%	\$1,976,100	03-Jan-03	\$2,000,000	R-1 High
08-May-02	Canadian Wheat Board	Discounted Notes	98.812	2.66%	\$1,976,240	21-Oct-02	\$2,000,000	R-1 High
09-May-02	Canadian Wheat Board	Discounted Notes	98.814	2.72%	\$1,976,280	21-Oct-02	\$2,000,000	R-1 High
13-May-02	Canadian Wheat Board	Discounted Notes	99.361	2.58%	\$1,987,220	21-Oct-02	\$2,000,000	R-1 High
16-May-02	Province of Ontario	Treasury Bills				15-Aug-02	\$2,000,000	R-1 Mid

(a)



Summary of Investment @ June 30, 2002

Date of Purchase	Issuer	Instrument	Price	Yield	Cost	Maturity Date	Maturity Amount	DBRS Rating
16-May-02	Canadian Wheat Board	Discounted Notes	98.807	2.79%	\$1,976,140	21-Oct-02	\$2,000,000	R-1 High
21-May-02	Province of Ontario	Treasury Bills	99.389	2.58%	\$1,987,780	16-Aug-02	\$2,000,000	R-1 Mid
21-May-02	Canadian Wheat Board	Discounted Notes	98.84	2.80%	\$1,976,800	21-Oct-02	\$2,000,000	R-1 High
23-May-02	Canadian Wheat Board	Discounted Notes	99.323	2.62%	\$1,986,460	26-Aug-02	\$2,000,000	R-1 High
23-May-02	Government of Canada	Treasury Bills	98.579	2.89%	\$1,971,580	21-Nov-02	\$2,000,000	R-1 High
28-May-02	Province of Ontario	Treasury Bills	99.391	2.63%	\$1,987,820	21-Aug-02	\$2,000,000	R-1 Mid
		Weighted Avg. GoC, BA's, etc.		2.47%	\$134,065,785		\$136,000,000	
		Interest Bearing Bank Accounts		2.50%	\$59,257,093		\$59,257,093	
		Weighted Avg. Total		2.48%	\$193,322,878		\$195,257,093	
		Less HRWC			(\$2,761,501)			
		Total HRM			\$190,561,377			

**Sector Weights - @ June 30, 2002**

	<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>\$93,291,030</b>	<b>48%</b>	<b>\$193,322,878</b>	<b>100%</b>	<b>\$100,031,848</b>	<b>52%</b>
Federal Government	Open	\$81,423,010	42%				
Business Development Bank	Open						
Canada Mortgage & Housing Corp.	Open						
Canadian Wheat Board	Open	\$11,868,020	6%				
Export Development Canada	Open						
Farm Credit Corp	Open						
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$5,962,820</b>	<b>3%</b>	<b>\$193,322,878</b>	<b>100%</b>	<b>\$187,360,058</b>	<b>97%</b>
Alberta (R-1 High)	Open			\$48,330,719	25%	\$48,330,719	25%
Alberta Municipal Finance Corp (R-1 High)	Open			\$48,330,719	25%	\$48,330,719	25%
British Columbia (R-1 Mid)	Open			\$48,330,719	25%	\$48,330,719	25%
Manitoba (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
New Brunswick (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Nova Scotia (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Ontario (R-1 Mid)	Open	\$5,962,820	3%	\$48,330,719	25%	\$42,367,899	22%
Prince Edward Island (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Quebec (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Saskatchewan (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$48,330,719</b>	<b>25%</b>	<b>\$48,330,719</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$19,332,288	10%	\$19,332,288	10%
Edmonton (R-1 High)	Open			\$19,332,288	10%	\$19,332,288	10%
Winnipeg (R-1 Mid)	Open			\$19,332,288	10%	\$19,332,288	10%
	<b>BA's Schedule A Canadian Banks R-1 Mid</b>						
<b>Financial Institutions &amp; their Guarantees</b>		<b>\$34,811,935</b>	<b>18%</b>	<b>\$48,330,719</b>	<b>25%</b>	<b>\$13,518,784</b>	<b>7%</b>
Bank of Montreal (R-1 Mid)	Open	\$0		\$19,332,288	10%	\$19,332,288	10%
Bank of Nova Scotia (R-1 Mid)	Open	\$11,439,675	6%	\$19,332,288	10%	\$7,892,613	4%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$11,933,920	6%	\$19,332,288	10%	\$7,398,368	4%
Laurentian Bank (R-1 Low)	Closed			\$19,332,288	10%	\$19,332,288	
National Bank of Canada (R-1 Low)	Closed			\$19,332,288	10%	\$19,332,288	
Royal Bank (R-1 Mid)	Open	\$3,976,880	2%	\$19,332,288	10%	\$15,355,408	8%
Toronto Dominion (R-1 Mid)	Open	\$7,461,460	4%	\$19,332,288	10%	\$11,870,828	6%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Interest Bearing Bank Accounts</b>		<b>\$59,257,093</b>	<b>31%</b>				
<b>Total</b>		<b>\$193,322,878</b>					

### Actual Versus Projected Month End Balances

	Month End Actual Total HRM Investment and Interest Bearing Bank Account Balances	Month End Projected Total HRM Investment and Interest Bearing Bank Account Balances	Variance - Amount Over (Under) Projection	Variance - Percentage Over (Under) Projection
April 30, 2002	\$188,647,590	\$197,350,685	(\$8,703,095)	-4.4%
May 31, 2002	\$209,188,341	\$208,557,784	\$630,557	0.3%
June 30, 2002	\$190,561,377	\$192,938,776	(\$2,377,399)	-1.2%
July 31, 2002	\$162,592,878	\$162,235,860	\$357,018	0.2%
August 31, 2002	\$150,907,253	\$146,160,537	\$4,746,716	3.2%
September 30, 2002	\$240,789,165	\$229,579,119	\$11,210,046	4.9%
October 31, 2002		\$246,127,530		
November 30, 2002		\$221,227,014		
December 31, 2002		\$183,144,202		
January 31, 2003		\$156,596,282		
February 28, 2003		\$119,998,921		
March 31, 2003		\$94,226,483		

Summary of Investments @ September 30, 2002

<u>Date of Purchase</u>	<u>Issuer</u>	<u>Instrument</u>	<u>Price</u>	<u>Yield</u>	<u>Cost</u>	<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>DBRS Rating</u>
12-Oct-01	Government of Canada	Treasury Bills	97.178	2.92%	\$3,887,120	10-Oct-02	\$4,000,000	R-1 High
16-Nov-01	Government of Canada	Treasury Bills	97.601	2.52%	\$3,904,040	07-Nov-02	\$4,000,000	R-1 High
20-Nov-01	Government of Canada	Treasury Bills	97.701	2.44%	\$3,908,040	07-Nov-02	\$4,000,000	R-1 High
22-Nov-01	Government of Canada	Treasury Bills	97.595	2.57%	\$3,903,800	07-Nov-02	\$4,000,000	R-1 High
17-Dec-01	Government of Canada	Treasury Bills	97.704	2.43%	\$4,885,200	05-Dec-02	\$5,000,000	R-1 High
18-Dec-01	Government of Canada	Treasury Bills	97.793	2.34%	\$4,889,650	05-Dec-02	\$5,000,000	R-1 High
18-Jan-02	Government of Canada	Bond Residual	97.624	2.35%	\$4,881,200	01-Feb-03	\$5,000,000	AAA
22-Jan-02	Government of Canada	Treasury Bills	98.479	2.16%	\$3,939,160	10-Oct-02	\$4,000,000	R-1 High
11-Feb-02	Government of Canada	Treasury Bills	97.676	2.46%	\$1,953,520	30-Jan-03	\$2,000,000	R-1 High
13-Feb-02	Government of Canada	Treasury Bills	97.607	2.55%	\$1,952,140	30-Jan-03	\$2,000,000	R-1 High
14-Feb-02	Government of Canada	Treasury Bills	97.836	2.50%	\$1,956,720	03-Jan-03	\$2,000,000	R-1 High
21-Feb-02	Government of Canada	Treasury Bills	97.915	2.46%	\$1,958,300	03-Jan-03	\$2,000,000	R-1 High
26-Feb-02	Government of Canada	Treasury Bills	98.596	2.30%	\$1,971,920	10-Oct-02	\$2,000,000	R-1 High
26-Feb-02	Government of Canada	Treasury Bills	97.922	2.49%	\$1,958,440	03-Jan-03	\$2,000,000	R-1 High
01-Mar-02	Government of Canada	Treasury Bills	97.461	2.62%	\$1,949,220	27-Feb-03	\$2,000,000	R-1 High
07-Mar-02	Government of Canada	Treasury Bills	97.418	2.71%	\$1,948,360	27-Feb-03	\$2,000,000	R-1 High
26-Mar-02	Government of Canada	Treasury Bills	96.982	3.36%	\$1,939,640	27-Feb-03	\$2,000,000	R-1 High
08-May-02	Canadian Wheat Board	Discounted Notes	98.805	2.66%	\$1,976,100	21-Oct-02	\$2,000,000	R-1 High
08-May-02	Government of Canada	Treasury Bills	98.16	2.85%	\$1,963,200	03-Jan-03	\$2,000,000	R-1 High
09-May-02	Canadian Wheat Board	Discounted Notes	98.812	2.66%	\$1,976,240	21-Oct-02	\$2,000,000	R-1 High
13-May-02	Canadian Wheat Board	Discounted Notes	98.814	2.72%	\$1,976,280	21-Oct-02	\$2,000,000	R-1 High
16-May-02	Canadian Wheat Board	Discounted Notes	98.807	2.79%	\$1,976,140	21-Oct-02	\$2,000,000	R-1 High
21-May-02	Canadian Wheat Board	Discounted Notes	98.84	2.80%	\$1,976,800	21-Oct-02	\$2,000,000	R-1 High
23-May-02	Government of Canada	Treasury Bills	98.579	2.89%	\$1,971,580	21-Nov-02	\$2,000,000	R-1 High
15-Jul-02	Province of Ontario	Treasury Bills	99.32	2.84%	\$3,972,800	11-Oct-02	\$4,000,000	R-1 Mid
16-Jul-02	Government of Canada	Treasury Bills	99.118	2.85%	\$3,964,720	07-Nov-02	\$4,000,000	R-1 High
16-Jul-02	Government of Canada	Treasury Bills	98.896	2.87%	\$3,955,840	05-Dec-02	\$4,000,000	R-1 High
24-Jul-02	Government of Canada	Treasury Bills	98.724	2.68%	\$3,948,960	16-Jan-03	\$4,000,000	R-1 High
26-Jul-02	Government of Canada	Treasury Bills	98.724	2.84%	\$7,893,120	16-Jan-03	\$8,000,000	R-1 High
29-Aug-02	Canadian Wheat Board	Discounted Notes	98.631	3.07%	\$3,945,240	10-Feb-03	\$4,000,000	R-1 High
30-Aug-02	Business Development Bank	Discounted Notes	98.525	3.07%	\$1,970,500	24-Feb-03	\$2,000,000	R-1 High
30-Aug-02	Province of Ontario	Treasury Bills	98.799	3.04%	\$1,975,980	23-Jan-03	\$2,000,000	R-1 Mid
06-Sep-02	Canada Mortgage & Housing Corporation	Discounted Notes	98.755	2.93%	\$2,468,875	10-Feb-03	\$2,500,000	R-1 High
06-Sep-02	Canadian Wheat Board	Discounted Notes	98.764	2.91%	\$2,962,920	10-Feb-03	\$3,000,000	R-1 High
09-Sep-02	Province of Ontario	Treasury Bills	98.695	2.98%	\$1,973,900	18-Feb-03	\$2,000,000	R-1 Mid
09-Sep-02	Business Development Bank	Discounted Notes	99.292	2.83%	\$1,985,840	10-Dec-02	\$2,000,000	R-1 High
10-Sep-02	Business Development Bank	Discounted Notes	99.363	2.82%	\$3,974,520	02-Dec-02	\$4,000,000	R-1 High
12-Sep-02	Province of Ontario	Treasury Bills	99.376	2.83%	\$3,975,040	02-Dec-02	\$4,000,000	R-1 Mid
13-Sep-02	Royal Bank	Banker's Acceptance	99.624	2.81%	\$1,992,480	01-Nov-02	\$2,000,000	R-1 Mid
13-Sep-02	Bank of Nova Scotia	Banker's Acceptance	99.582	2.84%	\$3,983,280	06-Nov-02	\$4,000,000	R-1 Mid

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Summary of Investments @ September 30, 2002

<u>Date of Purchase</u>	<u>Issuer</u>	<u>Instrument</u>	<u>Price</u>	<u>Yield</u>	<u>Cost</u>	<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>DBRS Rating</u>
16-Sep-02	Royal Bank	Banker's Acceptance	99.551	2.84%	\$1,991,020	13-Nov-02	\$2,000,000	R-1 Mid
16-Sep-02	Bank of Montreal	Banker's Acceptance	99.51	2.85%	\$2,985,300	18-Nov-02	\$3,000,000	R-1 Mid
16-Sep-02	Bank of Montreal	Banker's Acceptance	99.609	2.81%	\$2,988,270	06-Nov-02	\$3,000,000	R-1 Mid
17-Sep-02	Canadian Wheat Board	Discounted Notes	98.581	3.02%	\$3,943,240	10-Mar-03	\$4,000,000	R-1 High
17-Sep-02	Canadian Wheat Board	Discounted Notes	98.83	2.96%	\$3,953,200	10-Feb-03	\$4,000,000	R-1 High
17-Sep-02	Business Development Bank	Discounted Notes	98.581	3.02%	\$3,943,240	10-Mar-03	\$4,000,000	R-1 High
18-Sep-02	Bank of Montreal	Banker's Acceptance	99.78	2.78%	\$3,991,200	17-Oct-02	\$4,000,000	R-1 Mid
18-Sep-02	Province of Ontario	Treasury Bills	99.333	2.85%	\$3,973,320	13-Dec-02	\$4,000,000	R-1 Mid
19-Sep-02	Province of Ontario	Treasury Bills	99.456	2.81%	\$2,081,614.08	29-Nov-02	\$2,093,000	R-1 Mid
19-Sep-02	Canadian Wheat Board	Discounted Notes	99.322	2.83%	\$2,979,660	16-Dec-02	\$3,000,000	R-1 High
20-Sep-02	Bank of Nova Scotia	Banker's Acceptance	99.811	2.76%	\$3,992,440	15-Oct-02	\$4,000,000	R-1 Mid
20-Sep-02	Bank of Montreal	Banker's Acceptance	99.796	2.76%	\$2,295,308	17-Oct-02	\$2,300,000	R-1 Mid
20-Sep-02	Canadian Wheat Board	Discounted Notes	98.614	3.00%	\$1,972,280	10-Mar-03	\$2,000,000	R-1 High
25-Sep-02	Bank of Montreal	Banker's Acceptance	99.743	2.77%	\$2,992,290	29-Oct-02	\$3,000,000	R-1 Mid
25-Sep-02	Province of Ontario	Treasury Bills	99.481	2.80%	\$2,984,430	02-Dec-02	\$3,000,000	R-1 Mid
26-Sep-02	Province of Ontario	Treasury Bills	99.32	2.84%	\$3,972,800	23-Dec-02	\$4,000,000	R-1 Mid
27-Sep-02	Farm Credit Corp.	Discounted Notes	99.335	2.81%	\$3,973,400	23-Dec-02	\$4,000,000	R-1 High
27-Sep-02	Province of Ontario	Treasury Bills	99.437	2.83%	\$1,988,740	09-Dec-02	\$2,000,000	R-1 Mid
27-Sep-02	Province of Ontario	Treasury Bills	99.351	2.84%	\$5,961,060	20-Dec-02	\$6,000,000	R-1 Mid
27-Sep-02	Canadian Wheat Board	Discounted Notes	99.386	2.82%	\$1,490,790	16-Dec-02	\$1,500,000	R-1 High
27-Sep-02	Royal Bank	Banker's Acceptance	99.865	2.74%	\$3,994,600	15-Oct-02	\$4,000,000	R-1 Mid
27-Sep-02	Bank of Montreal	Banker's Acceptance	99.796	2.76%	\$1,995,920	24-Oct-02	\$2,000,000	R-1 Mid
30-Sep-02	Farm Credit	Discounted Notes	99.518	2.76%	\$4,975,900	03-Dec-02	\$5,000,000	R-1 High
30-Sep-02	Bank of Nova Scotia	Banker's Acceptance	99.947	2.77%	\$3,997,880	07-Oct-02	\$4,000,000	R-1 Mid
30-Sep-02	Bank of Nova Scotia	Banker's Acceptance	99.887	2.75%	\$3,995,480	15-Oct-02	\$4,000,000	R-1 Mid
30-Sep-02	Bank of Montreal	Banker's Acceptance	99.97	2.74%	\$1,899,430	04-Oct-02	\$1,900,000	R-1 Mid
		Weighted Avg. GoC, BA's, etc.		2.76%	\$205,859,637.08		\$208,293,000	
		Interest Bearing Bank Accounts		2.75%	(\$422,124.58)		(\$422,125)	
		Total Inv. & Bank		2.76%	\$205,437,512.50		\$207,870,875	
		Less Amount Invested on Behalf of HRWC			(\$1,221,636.46)			
		Total HRM			\$204,215,876.04			

**Sector Weights - @ September 30, 2002**

<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>\$129,905,055</b>	<b>63%</b>	<b>\$205,437,513</b>	<b>100%</b>	<b>\$75,532,458</b>	<b>37%</b>
Federal Government	Open	\$75,483,890	37%				
Business Development Bank	Open	\$11,874,100	6%				
Canada Mortgage & Housing Corp.	Open	\$2,468,875	1%				
Canadian Wheat Board	Open	\$31,128,890	15%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$8,949,300	4%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$32,859,684</b>	<b>16%</b>	<b>\$205,437,513</b>	<b>100%</b>	<b>\$172,577,828</b>	<b>84%</b>
Alberta (R-1 High)	Open			\$51,359,378	25%	\$51,359,378	25%
Alberta Municipal Finance Corp (R-1 High)	Open	\$0		\$51,359,378	25%	\$51,359,378	25%
British Columbia (R-1 Mid)	Open			\$51,359,378	25%	\$51,359,378	25%
Manitoba (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
New Brunswick (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Nova Scotia (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Ontario (R-1 Mid)	Open	\$32,859,684	16%	\$51,359,378	25%	\$18,499,694	9%
Prince Edward Island (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Quebec (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Saskatchewan (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$51,359,378</b>	<b>25%</b>	<b>\$51,359,378</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$20,543,751	10%	\$20,543,751	10%
Edmonton (R-1 High)	Open			\$20,543,751	10%	\$20,543,751	10%
Winnipeg (R-1 Mid)	Open			\$20,543,751	10%	\$20,543,751	10%
<b>Financial Institutions &amp; their Guarantees</b>	<b>BA's Schedule A Canadian Banks R-1 Mid</b>	<b>\$43,094,898</b>	<b>21%</b>	<b>\$51,359,378</b>	<b>25%</b>	<b>\$8,264,480</b>	<b>4%</b>
Bank of Montreal (R-1 Mid)	Open	\$19,147,718	9%	\$20,543,751	10%	\$1,396,033	1%
Bank of Nova Scotia (R-1 Mid)	Open	\$15,969,080	8%	\$20,543,751	10%	\$4,574,671	2%
Canadian Imperial Bank of Commerce (R-1 Mid)	Under Review	\$0		\$20,543,751	10%	\$20,543,751	
Laurentian Bank (R-1 Low)	Closed			\$20,543,751	10%	\$20,543,751	
National Bank of Canada (R-1 Low)	Closed			\$20,543,751	10%	\$20,543,751	
Royal Bank (R-1 Mid)	Open	\$7,978,100	4%	\$20,543,751	10%	\$12,565,651	6%
Toronto Dominion (R-1 Mid)	Under Review	\$0		\$20,543,751	10%	\$20,543,751	
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Interest Bearing Bank Accounts</b>				<b>(\$422,125) *</b>			
<b>Total</b>				<b>\$205,437,513</b>			

\*Additional funds anticipated for deposit Sept. 30