

**Audit and Finance Standing Committee  
March 20, 2013**

**TO:** Councillor Bill Karsten, Chair and Members of the Audit and Finance Standing Committee

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Greg Keefe, Director of Finance and Information Technology / CFO

**DATE:** February 19, 2013

**SUBJECT:** Investment Activities – Quarter Ending December 31, 2012

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**ORIGIN**

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

**LEGISLATIVE AUTHORITY**

Section 121(1) of the HRM Charter requires that funds be invested pursuant to an Investment Policy adopted by Council and approved by the Minister of Service Nova Scotia and Municipal Relations or invested pursuant to the Trustee Act. Where HRM has chosen to adopt an Investment Policy and the Minister has approved the Policy investment activities are governed by this Policy.

**RECOMMENDATION**

It is recommended that the Audit and Finance Standing Committee forward this report to Halifax Regional Council as an information item.

**BACKGROUND**

The HRM 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 December 31, 2012 has been reviewed by the Committee. A report from the Committee on staff's compliance with the HRM Investment Policy has also been sent to the Audit and Finance Standing Committee meeting of March 20.

It should be noted that the terms of the Members of the Committee expired in the Fall of 2012. Staff did not forward reports to the Committee pending appointment of Members to the Committee. As a result the Quarterly reports are somewhat delayed compared to typical timing.

**DISCUSSION****HRM Investment Activities**

HRM Money Market investment performance is summarized below in comparison with the Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds for periods ending December 31, 2012:

Money Market Funds	3 Months (to Dec. 31, 2012)	1 Year (to Dec. 31, 2012)
5 <sup>th</sup> Percentile	.35%	1.33%
1 <sup>st</sup> Quartile	.31%	1.24%
Mercer Median	.29%	1.18%
3 <sup>rd</sup> Quartile	.27%	1.05%
95 <sup>th</sup> Percentile	.25%	.95%
DEX 91 Day T-Bills	.29%	1.01%
<b>HRM</b>	<b>.30%</b>	<b>1.17%</b>

HRM relative performance was slightly above median for the Quarter and slightly below median for the year before allowing for fees that would have been paid to an external management firm. The very high quality of the HRM portfolio was maintained.

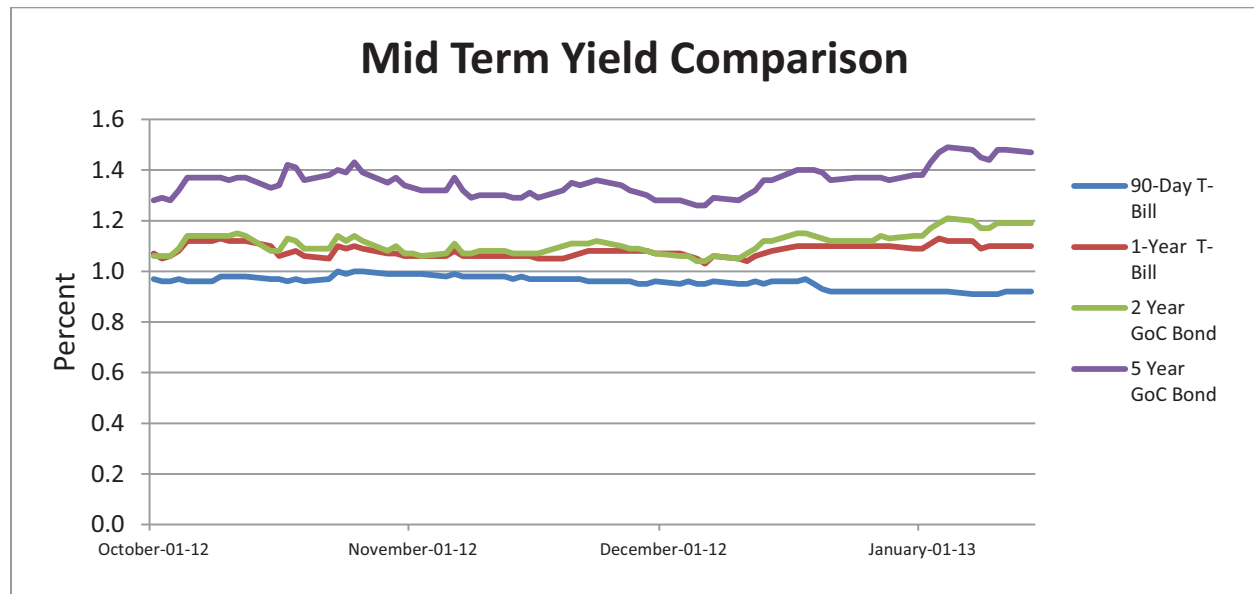
The Quarter saw 72 money market investments made at a cost of \$288,706,000 with an average term to maturity of 86 days. This compares to last year's 3rd Quarter of 80 investments made at a cost of \$298,011,115 with an average term of 117 days. There was an emphasis on shorter term investments to cover cash requirements and to provide funds to rollover with 80% of investments being made in Non-Government instruments in the 3 month and under time frame. The bank account continued to provide an attractive rate of interest relative to other short term Financial Institution instruments and was used extensively. The Notice Investment account continued to further enhance these returns from the HRM banker.

Operating Fund Investment Income for the first nine months of the fiscal year was \$1,706,000 versus a budget of \$894,000 with the actual rate of return being .91 % versus the budgeted rate of

.75%. While the better rate of return was a contributing factor the majority of the positive variance was a result of cash flows. Operating Fund Investment Income for the fiscal year is currently projected to be \$2,050,000 versus a budget of \$1,100,000.

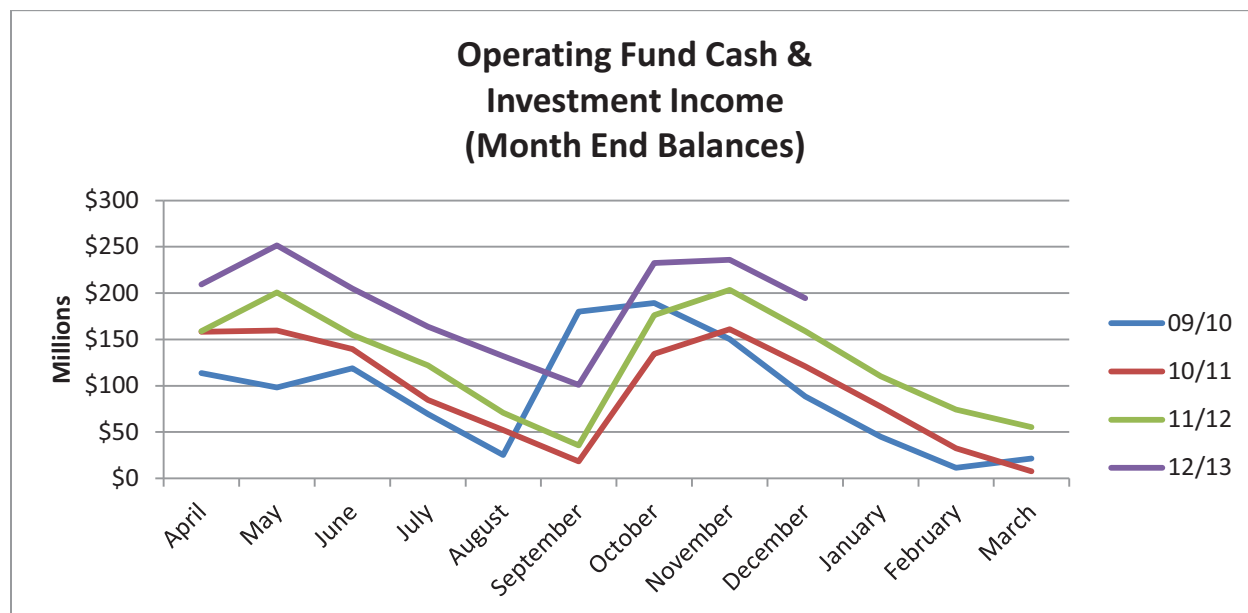
HRM Short Term Bond Pool

The Short Term Bond Pool holds bonds to a maximum term to maturity of approximately five years. The \$5,000,000 of bonds currently held have yields ranging from 2.21% to 3.07%. These bonds are guaranteed by either the Government of Canada or highly rated Provinces. There were no additions to the Bond Pool during the Quarter. Staff continues to look for opportunities to add to the Bond Pool with the ever changing outlook for future interest rates over a potential five year holding period and the very narrow spread on yields between the shorter and longer dated instruments key considerations.



Cash Flows

The impact of the interim tax billing discussed in the previous Quarter’s report ceased to be a consideration after the final tax billing due at the end of October but other positive factors continued. While staff is continuing to analyse these trends both ‘stock’ and flow considerations are at play. In other words the cash funding of certain Operating Fund Balance Sheet items as well as a projected Operating Fund surplus this year are factors as well as the level of bridge financing being provided to the Capital Fund. Staff will continue to review and report on cash flow trends.



During the Quarter there were two days in October and two days in December when the Sector Weight guideline for the HRM banker exceeded the Policy limits. Staff discussed these occurrences with the Committee and they agreed that these temporary variances did not create a material increase in risk to the portfolio.

The average level for the bank account for the Quarter was 95.9% of the Policy guideline.

#### Notable Events

In November Bank of Canada Governor Mark Carney was selected as the next Governor of the Bank of England in a move that surprised many. This may be considered as both an acknowledgement of the job Mr. Carney's done and a rebuke to the British banking establishment as a result of the LIBOR scandal. The departure of Mr. Carney is not anticipated to result in any major changes to Canadian Monetary Policy as most important decisions are made by the Governing Council which should ensure some continuity of thought.

In December the U.S. Board of Governors of the Federal Reserve System announced a new approach to their dual mandate of maximum employment and stable inflation by effectively adopting a 6.5% target for the unemployment rate and raising their comfort zone for inflation to 2.5%. To pursue these targets they not only will continue purchasing agency mortgage backed securities at a pace of \$40 billion per month but will also buy longer Treasuries at a rate of \$45 billion a month while continuing to rollover maturities and commit to keeping the federal funds rate at 0 to ¼ percent at least until the unemployment target is met, assuming well anchored inflation expectations. In January 2013 the Federal Reserve's balance sheet was at a record \$3 trillion, more than triple the level of \$984 billion in September 2008. Should the open-ended commitment to add an additional \$85 billion a month of securities continue to the end of 2103 this would add an addition \$1 trillion to the balance sheet bringing it close to ¼ of nominal GDP.

Even with these measures by their own projections the unemployment target will not be met until 2015.

Also in December Standard and Poor's downgraded six Canadian financial institutions by one notch including Scotiabank, National Bank and Caisse central Desjardins. Moody's followed suit in January with one notch downgrades to TD Bank, Scotiabank, Bank of Montreal, CIBC, National and the Caisse. The motivation for the downgrades by both firms was largely because of concerns over the banks' exposure to elevated consumer debt levels, housing prices and increased competition between the banks. Fitch recently affirmed their ratings and DBRS last reviewed the big 6 Canadian banks in September and October of 2012 confirming their ratings. On balance the negative rating actions taken by Standard and Poor's and Moody's on the Canadian banks, while certainly worthy of note, do not cause staff to question continued investment in these banks as, even at the reduced levels, the ratings remain quite high. To the extent that Equity markets still reflect rational thought they would seem to share this view as many Canadian banks are near all time highs. Staff also discussed the rating actions with the Committee and no concerns were raised.

#### Subsequent to End of Reporting Quarter

At the January 23 meeting, the Bank of Canada softened an already weak tightening bias by saying any removal of monetary stimulus was less imminent than previously anticipated.

The headline number for the first estimate of U.S. GDP for the 4<sup>th</sup> Quarter of 2012 printed a small negative. The details, however, were less alarming with the largest quarterly drop in defense spending since 1972 and a much slower inventory build primary negative factors. A return to recession is currently not expected.

In early January the Basel Committee issued their guidance on Liquidity Coverage Ratio requirements which not only delayed implementation but also significantly watered down the definition of high-quality liquid assets from Government Bonds and Central Bank deposits to now include BBB- rated corporate bonds, equities and some securitizations. While certainly there would be some corporate debt that would be preferable to some sovereigns, BBB seems like quite a stretch. The net result is that Governments will probably continue to be the lenders of first and last resort in any crisis.

Staff attended a Society of Canadian Treasurer's Roundtable in Halifax which was the last in a series held across the country. There was considerable discussion not only on the Basel Committee rules but also the zeal of Canadian regulators to keep Canada at the forefront of all international capital and liquidity guidelines and whether this was harming the competitiveness of the Canadian banks.

#### Outlook & Strategy

Signs of life in the U.S. housing market have certainly been a welcome development along with at least tepid employment growth. In Europe the tools seem to be in place to prevent an unruly calamity but whether the political will can be maintained through the various upcoming elections may be another matter. The U.S. also faces a number of political hurdles in the next several months which could upset markets and confidence.

The lack of inflation, particularly in the U.S. given all of the extraordinary Monetary Policy measures taken, is troubling. Should inflation measures move to negative prints it is unclear as to how long it would take a self-fulfilling deflationary mindset to take hold. While Canada at least has room to cut rates and try some quantitative easing, in the U.S. having done so much already they seem to be facing the law of diminishing returns of further policy action. Of course a pickup in the velocity of money could well see the opposite effect with a jump in inflation measures. However given the various forces at play a muddling through of tepid employment and economic growth with fairly stable inflation is probably most likely for the immediate future. We will continue the strategy of locking in rates when they are relatively attractive out to the one year term and beyond while covering cash needs and ensuring funds are available to rollover to longer terms when the longer rates are less attractive.

#### Policy Compliance

In keeping with the recent amendments to the Policy staff has modified the Policy Compliance section. Feedback from the Committee on the adequacy of these changes would be appreciated.

#### Objectives:

Preservation of Capital - There was no loss of capital during the Quarter.

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

Competitive Return on Investments - The rate of return was slightly below median for the year ending December 31, 2012 before allowing for fees for external management. After allowing for these fees the rate of return would have exceeded median therefore staff maintain that the Policy benchmark was met.

#### Strategies:

Diversification of Investment Portfolio - Staff believe that diversification has been adequately maintained under the constraints of the Policy.

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

Risk Management Approach – In implementing investment decisions staff seek a balance

between the Objectives of the Investment Policy and the risks inherent in markets to look to achieve an optimal rate of return.

### **FINANCIAL IMPLICATIONS**

Staff is anticipating that Operating Fund Investment Income for the fiscal year will be \$2,050,000 versus a budget of \$1,100,000. This substantial positive variance is primarily due to much better than anticipated cash levels for the Operating Fund. Somewhat better than expected interest rates were also a contributing factor.

### **COMMUNITY ENGAGEMENT**

Investment activities are reported quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (4 of 6) are volunteers from the general public. The Committee reports to Audit and Finance Committee of Council quarterly on staff's compliance with the Investment Policy. In addition, the Committee conducts an annual review of the Investment Policy and makes recommendations for any changes considered appropriate.

### **ENVIRONMENTAL IMPLICATIONS**

N/A

### **ALTERNATIVES**

N/A

### **ATTACHMENTS**

Sector Weight Schedules @ December 31, 2012 (Schedules A,B,C,D & E)

Appendix A - Economic Statistics and Central Bank Actions

Appendix B - List of Eligible Investments

Appendix C - DBRS Rating Scale

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by : Derek Tynski, BA, CMA, Deputy Treasurer, 490-6471

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## Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Oct 7.4%, Nov 7.2%, Dec 7.1%	Oct 7.9%, Nov 7.7%, Dec 7.9%
Jobs Created / (Lost) ('000's)	Oct 0, Nov 59, Dec 40	Oct 160, Nov 247, Dec 196
CPI (year over year)	Oct 1.2%, Nov .8%, Dec .8%	Oct 2.2%, Nov 1.8%, Dec 1.7%
CPI-X (Core) (year over year)	Oct 1.3%, Nov 1.2%, Dec 1.1%	Oct 2.0%, Nov 1.9%, Dec 1.9%
GDP	NA	Q4 A -.1%

Central Bank Activities

- October 23 Bank of Canada Maintains overnight rate at 1.0%
- November 3 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- December 4 Bank of Canada Maintains overnight rate at 1.0%
- December 14 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%



**Appendix B**

List of Eligible Investments

The Government of Canada & Its Guarantees:

Federal Government

Business Development Bank

Canada Mortgage & Housing Corporation

Canadian Wheat Board

Export Development Canada

Farm Credit Corporation

Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees

The Province of British Columbia & Its Guarantees

The Province of Manitoba & Its Guarantees

The Province of New Brunswick & Its Guarantees

The Province of Ontario & Its Guarantees

The Province of Quebec & Its Guarantees

The Province of Saskatchewan & Its Guarantees

Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees

The Municipality of Edmonton & Its Guarantees

Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees

The Bank of Nova Scotia & Its Guarantees

Canadian Imperial Bank of Commerce & Its Guarantees

Royal Bank of Canada & Its Guarantees

Toronto Dominion Bank & Its Guarantees

Financial Institutions & Corporations (Tier 2):

Desjardins Group

Caisse Centrale Desjardins

CDP Financial Inc

National Bank of Canada

Ontario Infrastructure and Lands Corporation

OMERS Finance Trust

Appendix C

**Dominion Bond Rating Service (DBRS) Rating Scale**

**R-1 (high)**

Short-term debt rated R-1 (high) is of the highest credit quality, and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

**R-1 (middle)**

Short-term debt rated R-1 (middle) is of superior credit quality and, in most cases, ratings in this category differ from R-1 (high) credits by only a small degree. Given the extremely tough definition DBRS has established for the R-1 (high) category, entities rated R-1 (middle) are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

**R-1 (low)**

Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.

<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>6,916,840</b>	<b>2%</b>	<b>368,250,814</b>	<b>100%</b>	<b>357,349,049</b>	<b>97%</b>
Federal Government	Open	6,916,840	2%				
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>196,133,045</b>	<b>53%</b>	<b>368,250,814</b>	<b>100%</b>	<b>172,117,769</b>	<b>47%</b>
Total Alberta (R-1 High)	Open	0	2%	92,062,703	25%	83,025,350	23%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	60,983,631	17%	92,062,703	25%	31,079,072	8%
Manitoba (R-1 Mid)	Open	4,234,080	1%	92,062,703	25%	87,828,623	24%
New Brunswick (R-1 Mid)	Open	0	0%	92,062,703	25%	92,062,703	25%
Ontario (R-1 Mid)	Open	66,874,508	18%	92,062,703	25%	25,188,195	7%
Quebec (R-1 Mid)	Open	64,040,826	18%	92,062,703	25%	26,022,163	7%
Quebec		28,381,436					
Financement Quebec		14,807,250					
Hydro Quebec		20,852,140					
Saskatchewan (R-1 High)	Open	0	0%	92,062,703	25%	92,062,703	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>92,062,703</b>	<b>25%</b>	<b>92,062,703</b>	<b>25%</b>
Calgary (R-1 High)	Open			36,825,081	10%	36,825,081	10%
Edmonton (R-1 High)	Open			36,825,081	10%	36,825,081	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>150,172,527</b>	<b>41%</b>	<b>184,125,407</b>	<b>50%</b>	<b>33,952,880</b>	<b>9%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>123,101,484</b>	<b>33%</b>	<b>184,125,407</b>	<b>50%</b>	<b>61,023,923</b>	<b>17%</b>
Bank of Montreal (R-1 High)	Open	34,907,660	9%	36,825,081	10%	1,917,421	1%
Bank of Nova Scotia (R-1 High)	Open	0	9%	36,825,081	10%	5,459,234	1%
Bank of Nova Scotia Effective Cash		1,365,848					
Bank of Nova Scotia - Notice Account		30,000,000					
Canadian Imperial Bank of Commerce (R-1 High)	Open	30,543,746	8%	36,825,081	10%	6,281,335	2%
Royal Bank (R-1 High)	Open	6,986,560	2%	36,825,081	10%	29,833,140	8%
Royal Bank - Effective Cash		5,381					
Toronto Dominion (R-1 High)	Open	19,292,289	5%	36,825,081	10%	17,532,792	5%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>27,071,043</b>	<b>7%</b>	<b>92,062,703</b>	<b>25%</b>	<b>64,991,660</b>	<b>18%</b>
National Bank of Canada (R-1 Mid)	Open	10,487,492	3%	18,412,541	5%	7,925,049	2%
OMERS Realty Corporation (R-1 High)	Open	13,590,781	4%	18,412,541	5%	4,821,760	1%
CDP Financial Inc (R-1 High)	Open	0	0%	18,412,541	5%	18,412,541	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	18,412,541	5%	18,412,541	5%
Desjardins Total		2,992,770	1%	18,412,541	5%	15,419,771	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	2,992,770					
<b>Total Cash and Equivalents</b>		<b>353,222,412</b>	<b>96%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		3,984,925	1%	73,650,163	20%	69,665,238	19%
Money Market							
Bond Pool		3,984,925					
<b>Provincial Government &amp; their Guarantees</b>		<b>11,037,067</b>	<b>3%</b>	<b>73,650,163</b>	<b>20%</b>	<b>62,613,096</b>	<b>17%</b>
<b>Money Market</b>		<b>10,005,469</b>	<b>3%</b>	<b>73,650,163</b>	<b>20%</b>	<b>62,613,096</b>	<b>17%</b>
Alberta		8,005,755	2%	36,825,081	10%	27,787,728	8%
Alberta		1,990,614					
Alberta Capital Finance Authority		6,015,141					
Alberta Treasury Branches							
British Columbia		0	0%	36,825,081	10%	36,825,081	10%
Manitoba		0	0%	36,825,081	10%	36,825,081	10%
New Brunswick		0	0%	36,825,081	10%	36,825,081	10%
Ontario		0	0%	36,825,081	10%	36,825,081	10%
Quebec		1,999,714	1%	36,825,081	10%	34,825,367	9%
Quebec		1,999,714					
Financement Quebec		0					
Saskatchewan		0	0%	36,825,081	10%	36,825,081	10%
<b>Bond Pool</b>		<b>1,031,598</b>	<b>3%</b>	<b>73,650,163</b>	<b>20%</b>	<b>62,613,096</b>	<b>17%</b>
Alberta		1,031,598	2%	36,825,081	10%	27,787,728	8%
Alberta							
Alberta Capital Finance Authority		1,031,598					
Alberta Treasury Branches							
British Columbia		0	0%	36,825,081	10%	36,825,081	10%
Manitoba		0	0%	36,825,081	10%	36,825,081	10%
New Brunswick		0	0%	36,825,081	10%	36,825,081	10%
Ontario		0	0%	36,825,081	10%	36,825,081	10%
Quebec		0	1%	36,825,081	10%	34,825,367	9%
Quebec							
Financement Quebec							
Saskatchewan		0	0%	36,825,081	10%	36,825,081	10%
<b>Total Fixed</b>		<b>15,021,992</b>	<b>4%</b>	<b>73,650,163</b>	<b>20%</b>	<b>58,628,171</b>	<b>16%</b>
Equities							
Bank of Montreal		6,410					

CASH & EQUIVALENTS

<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>4,508,552</b>	<b>2%</b>	<b>236,760,097</b>	<b>100%</b>	<b>232,251,545</b>	<b>98%</b>
Federal Government	Open	4,508,552	2%				
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>127,843,927</b>	<b>54%</b>	<b>236,760,097</b>	<b>100%</b>	<b>108,916,170</b>	<b>46%</b>
Total Alberta (R-1 High)	Open	0	0%	59,190,024	25%	55,269,220	23%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	39,750,501	17%	59,190,024	25%	19,439,523	8%
Manitoba (R-1 Mid)	Open	2,759,869	1%	59,190,024	25%	56,430,156	24%
New Brunswick (R-1 Mid)	Open	0	0%	59,190,024	25%	59,190,024	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			59,190,024	25%	59,190,024	25%
Ontario (R-1 Mid)	Open	43,590,307	20%	59,190,024	25%	15,599,717	7%
Quebec (R-1 Mid)	Open	41,743,250	18%	59,190,024	25%	16,143,316	7%
Saskatchewan (R-1 High)	Open	0	0%	59,190,024	25%	59,190,024	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>59,190,024</b>	<b>25%</b>	<b>59,190,024</b>	<b>25%</b>
Calgary (R-1 High)	Open			23,676,010	10%	23,676,010	10%
Edmonton (R-1 High)	Open			23,676,010	10%	23,676,010	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>97,885,828</b>	<b>41%</b>	<b>118,380,048</b>	<b>50%</b>	<b>20,494,220</b>	<b>9%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>80,240,314</b>	<b>34%</b>	<b>118,380,048</b>	<b>50%</b>	<b>38,139,734</b>	<b>16%</b>
Bank of Montreal (R-1 High)	Open	22,753,597	10%	23,676,010	10%	922,412	0%
Bank of Nova Scotia (R-1 High)	Open	0	9%	23,676,010	10%	3,231,045	1%
Bank of Nova Scotia Effective Cash		890,290					
Bank of Nova Scotia - Notice Account		19,554,674					
Canadian Imperial Bank of Commerce (R-1 High)	Open	19,909,100	8%	23,676,010	10%	3,766,910	2%
Royal Bank (R-1 High)	Open	4,553,997	2%	23,676,010	10%	19,118,505	8%
Royal Bank - Effective Cash		3,507					
Toronto Dominion (R-1 High)	Open	12,575,148	5%	23,676,010	10%	11,100,862	5%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>17,645,514</b>	<b>7%</b>	<b>59,190,024</b>	<b>25%</b>	<b>41,544,510</b>	<b>18%</b>
National Bank of Canada (R-1 Mid)	Open	6,835,983	3%	11,838,005	5%	5,002,022	2%
OMERS Realty Corporation (R-1 High)	Open	8,858,777	4%	11,838,005	5%	2,979,228	1%
CDP Financial Inc (R-1 High)	Open	0	0%	11,838,005	5%	11,838,005	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	11,838,005	5%	11,838,005	5%
Desjardins Total		1,950,755	1%	11,838,005	5%	9,887,250	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,950,755					
<b>Total Investments</b>		<b>230,238,307</b>	<b>97%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		0	0%	47,352,019	20%	47,352,019	20%
Money Market		0					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		<b>6,521,790</b>	<b>3%</b>	<b>47,352,019</b>	<b>20%</b>	<b>40,830,230</b>	<b>17%</b>
<b>Money Market</b>		<b>6,521,790</b>	<b>3%</b>	<b>47,352,019</b>	<b>20%</b>	<b>40,830,230</b>	<b>17%</b>
Alberta		3,920,804	2%	23,676,010	10%	19,755,206	8%
Alberta							
Alberta Capital Finance Authority		3,920,804					
Alberta Treasury Branches							
British Columbia		0	0%	23,676,010	10%	23,676,010	10%
Manitoba		0	0%	23,676,010	10%	23,676,010	10%
New Brunswick		0	0%	23,676,010	10%	23,676,010	10%
Ontario		0	0%	23,676,010	10%	23,676,010	10%
Quebec		1,303,459	1%	23,676,010	10%	22,372,551	9%
Quebec		1,303,459					
Financement Quebec		0					
Saskatchewan		0	0%	23,676,010	10%	23,676,010	10%
<b>Bond Pool</b>		<b>0</b>	<b>3%</b>	<b>47,352,019</b>	<b>20%</b>	<b>40,830,230</b>	<b>17%</b>
Alberta		0	2%	23,676,010	10%	19,755,206	8%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	23,676,010	10%	23,676,010	10%
Manitoba		0	0%	23,676,010	10%	23,676,010	10%
New Brunswick		0	0%	23,676,010	10%	23,676,010	10%
Ontario		0	0%	23,676,010	10%	23,676,010	10%
Quebec		0	1%	23,676,010	10%	22,372,551	9%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	23,676,010	10%	23,676,010	10%

	Category Status	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					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	0	0%	0	25%	0	0%
Manitoba (R-1 Mid)	Open	0	0%	0	25%	0	0%
New Brunswick (R-1 Mid)	Open	0	0%	0	25%	0	0%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			0	25%	0	0%
Ontario (R-1 Mid)	Open	0	0%	0	25%	0	0%
Quebec (R-1 Mid)	Open	0	0%	0	25%	0	0%
Saskatchewan (R-1 High)	Open			0	25%	0	0%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>0</b>	<b>25%</b>	<b>0</b>	<b>0%</b>
Calgary (R-1 High)	Open			0	10%	0	0%
Edmonton (R-1 High)	Open			0	10%	0	0%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>0</b>	<b>0%</b>	<b>0</b>	<b>50%</b>	<b>0</b>	<b>0%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>50%</b>	<b>0</b>	<b>0%</b>
Bank of Montreal (R-1 High)	Open	0	0%	0	10%	0	0%
Bank of Nova Scotia (R-1 High)	Open	0	0%	0	10%	0	0%
Bank of Nova Scotia Effective Cash		0					
Bank of Nova Scotia - Notice Account		0					
Canadian Imperial Bank of Commerce (R-1 High)	Open	0	0%	0	10%	0	0%
Royal Bank (R-1 High)	Open	0	0%	0	10%	0	0%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	0	0%	0	10%	0	0%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>25%</b>	<b>0</b>	<b>0%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	0	5%	0	0%
OMERS Realty Corporation (R-1 High)	Open	0	0%	0	5%	0	0%
CDP Financial Inc (R-1 High)	Open	0	0%	0	5%	0	0%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	0	5%	0	0%
Desjardins Total		0	0%	0	5%	0	0%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Investments</b>		<b>0</b>	<b>0%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		0	0%	0	20%	0	0%
Money Market		0					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		<b>0</b>	<b>0%</b>	<b>0</b>	<b>20%</b>	<b>0</b>	<b>0%</b>
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>0</b>	<b>20%</b>	<b>0</b>	<b>0%</b>
Alberta		0	0%	0	10%	0	0%
Alberta							
Alberta Capital Finance Authority		0					
Alberta Treasury Branches							
British Columbia		0	0%	0	10%	0	0%
Manitoba		0	0%	0	10%	0	0%
New Bruswick		0	0%	0	10%	0	0%
Ontario		0	0%	0	10%	0	0%
Quebec		0	0%	0	10%	0	0%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	0	10%	0	0%
<b>Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>0</b>	<b>20%</b>	<b>0</b>	<b>0%</b>
Alberta		0	0%	0	10%	0	0%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	0	10%	0	0%
Manitoba		0	0%	0	10%	0	0%
New Bruswick		0	0%	0	10%	0	0%
Ontario		0	0%	0	10%	0	0%
Quebec		0	0%	0	10%	0	0%
Quebec		0					
Financement Quebec		0					

Category Status	Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>2,344,377</b>	<b>2%</b>	<b>128,128,104</b>	<b>100%</b>	<b>121,798,802</b>	<b>95%</b>
Federal Government	Open	2,344,377	2%				
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>66,476,861</b>	<b>52%</b>	<b>128,128,104</b>	<b>100%</b>	<b>61,651,243</b>	<b>48%</b>
Total Alberta (R-1 High)	Open	0	2%	32,032,026	25%	28,286,977	22%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	20,669,645	17%	32,032,026	25%	11,362,381	9%
Manitoba (R-1 Mid)	Open	1,435,089	1%	32,032,026	25%	30,596,937	24%
New Brunswick (R-1 Mid)	Open	0	0%	32,032,026	25%	32,032,026	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			32,032,026	25%	32,032,026	25%
Ontario (R-1 Mid)	Open	22,666,284	20%	32,032,026	25%	9,365,742	7%
Quebec (R-1 Mid)	Open	21,705,843	17%	32,032,026	25%	9,648,405	8%
Saskatchewan (R-1 High)	Open	0	1%	32,032,026	25%	32,032,026	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>32,032,026</b>	<b>25%</b>	<b>32,032,026</b>	<b>25%</b>
Calgary (R-1 High)	Open			12,812,810	10%	12,812,810	10%
Edmonton (R-1 High)	Open			12,812,810	10%	12,812,810	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>50,899,114</b>	<b>40%</b>	<b>64,064,052</b>	<b>50%</b>	<b>13,164,938</b>	<b>10%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>41,723,720</b>	<b>33%</b>	<b>64,064,052</b>	<b>50%</b>	<b>22,340,332</b>	<b>17%</b>
Bank of Montreal (R-1 High)	Open	11,831,518	9%	12,812,810	10%	981,292	1%
Bank of Nova Scotia (R-1 High)	Open	0	8%	12,812,810	10%	2,181,746	2%
Bank of Nova Scotia Effective Cash		462,937					
Bank of Nova Scotia - Notice Account		10,168,128					
Canadian Imperial Bank of Commerce (R-1 High)	Open	10,352,424	8%	12,812,810	10%	2,460,387	2%
Royal Bank (R-1 High)	Open	2,368,008	2%	12,812,810	10%	10,442,979	8%
Royal Bank - Effective Cash		1,824					
Toronto Dominion (R-1 High)	Open	6,538,882	5%	12,812,810	10%	6,273,929	5%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>9,175,394</b>	<b>7%</b>	<b>32,032,026</b>	<b>25%</b>	<b>22,856,632</b>	<b>18%</b>
NATIONAL Bank of Canada (R-1 Mid)	Open	3,554,605	3%	6,406,405	5%	2,851,800	2%
OMERS Realty Corporation (R-1 High)	Open	4,606,426	4%	6,406,405	5%	1,799,979	1%
CDP Financial Inc (R-1 High)	Open	0	0%	6,406,405	5%	6,406,405	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	6,406,405	5%	6,406,405	5%
Desjardins Total		1,014,362	1%	6,406,405	5%	5,392,043	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,014,362					
<b>Total Cash and Equivalents</b>		<b>119,720,351</b>	<b>93%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		3,984,925	3%	128,128,104	100%	124,143,179	97%
Money Market		0					
Bond Pool		3,984,925					
<b>Provincial Government &amp; their Guarantees</b>		<b>4,422,828</b>	<b>3%</b>	<b>64,064,052</b>	<b>50%</b>	<b>59,641,224</b>	<b>47%</b>
<b>Money Market</b>		<b>3,391,230</b>	<b>3%</b>	<b>64,064,052</b>	<b>50%</b>	<b>59,641,224</b>	<b>47%</b>
Alberta		2,713,451	3%	12,812,810	10%	9,067,761	7%
Alberta		674,694					
Alberta Capital Finance Authority		2,038,757					
Alberta Treasury Branches							
British Columbia		0	0%	12,812,810	10%	12,812,810	10%
Manitoba		0	0%	12,812,810	10%	12,812,810	10%
New Brunswick		0	0%	12,812,810	10%	12,812,810	10%
Ontario		0	0%	12,812,810	10%	12,812,810	10%
Quebec		677,778	1%	12,812,810	10%	12,135,032	9%
Quebec		677,778					
Financement Quebec		0					
Saskatchewan		0	0%	12,812,810	10%	12,812,810	10%
<b>Bond Pool</b>		<b>1,031,598</b>	<b>3%</b>	<b>64,064,052</b>	<b>50%</b>	<b>59,641,224</b>	<b>47%</b>
Alberta		1,031,598	3%	12,812,810	10%	9,067,761	7%
Alberta		0					
Alberta Capital Finance Authority		1,031,598					
Alberta Treasury Branches		0					
British Columbia		0	0%	12,812,810	10%	12,812,810	10%
Manitoba		0	0%	12,812,810	10%	12,812,810	10%
New Brunswick		0	0%	12,812,810	10%	12,812,810	10%
Ontario		0	0%	12,812,810	10%	12,812,810	10%
Quebec		0	1%	12,812,810	10%	12,135,032	9%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	12,812,810	10%	12,812,810	10%
<b>Total Fixed</b>		<b>8,407,753</b>	<b>7%</b>	<b>128,128,104</b>	<b>100%</b>	<b>119,720,351</b>	<b>93%</b>

Category Status	Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>63,911</b>	<b>2%</b>	<b>3,362,613</b>	<b>100%</b>	<b>3,298,702</b>	<b>98%</b>
Federal Government	Open	63,911	2%				
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>1,812,257</b>	<b>54%</b>	<b>3,362,613</b>	<b>100%</b>	<b>1,550,356</b>	<b>46%</b>
Total Alberta (R-1 High)	Open	0	2%	840,653	25%	766,681	23%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	563,485	17%	840,653	25%	277,168	8%
Manitoba (R-1 Mid)	Open	39,123	1%	840,653	25%	801,531	24%
New Brunswick (R-1 Mid)	Open	0	0%	840,653	25%	840,653	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			840,653	25%	840,653	25%
Ontario (R-1 Mid)	Open	617,916	21%	840,653	25%	222,737	7%
Quebec (R-1 Mid)	Open	591,733	18%	840,653	25%	230,443	7%
Saskatchewan (R-1 High)	Open	0	0%	840,653	25%	840,653	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>840,653</b>	<b>25%</b>	<b>840,653</b>	<b>25%</b>
Calgary (R-1 High)	Open			336,261	10%	336,261	10%
Edmonton (R-1 High)	Open			336,261	10%	336,261	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>1,387,585</b>	<b>41%</b>	<b>1,681,307</b>	<b>50%</b>	<b>293,722</b>	<b>9%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>1,137,450</b>	<b>34%</b>	<b>1,681,307</b>	<b>50%</b>	<b>543,856</b>	<b>16%</b>
Bank of Montreal (R-1 High)	Open	322,545	10%	336,261	10%	13,717	0%
Bank of Nova Scotia (R-1 High)	Open	0	9%	336,261	10%	46,443	1%
Bank of Nova Scotia Effective Cash		12,620					
Bank of Nova Scotia - Notice Account		277,198					
Canadian Imperial Bank of Commerce (R-1 High)	Open	282,222	8%	336,261	10%	54,039	2%
Royal Bank (R-1 High)	Open	64,555	2%	336,261	10%	271,656	8%
Royal Bank - Effective Cash		50					
Toronto Dominion (R-1 High)	Open	178,260	5%	336,261	10%	158,002	5%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>250,135</b>	<b>7%</b>	<b>840,653</b>	<b>25%</b>	<b>590,519</b>	<b>18%</b>
National Bank of Canada (R-1 Mid)	Open	96,904	3%	168,131	5%	71,227	2%
OMERS Realty Corporation (R-1 High)	Open	125,578	4%	168,131	5%	42,553	1%
CDP Financial Inc (R-1 High)	Open	0	0%	168,131	5%	168,131	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	168,131	5%	168,131	5%
Desjardins Total		27,653	1%	168,131	5%	140,478	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	27,653					
<b>Total Cash and Equivalents</b>		<b>3,263,753</b>	<b>97%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		0	0%	3,362,613	100%	3,362,613	100%
Money Market		0					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		<b>92,450</b>	<b>3%</b>	<b>3,362,613</b>	<b>100%</b>	<b>3,270,163</b>	<b>97%</b>
<b>Money Market</b>		<b>92,450</b>	<b>100%</b>	<b>3,362,613</b>	<b>100%</b>	<b>3,270,163</b>	<b>97%</b>
Alberta		73,973	2%	336,261	10%	262,289	8%
Alberta		18,393					
Alberta Capital Finance Authority		55,580					
Alberta Treasury Branches							
British Columbia		0	0%	336,261	10%	336,261	10%
Manitoba		0	0%	336,261	10%	336,261	10%
New Brunswick		0	0%	336,261	10%	336,261	10%
Ontario		0	0%	336,261	10%	336,261	10%
Quebec		18,477	1%	336,261	10%	317,784	9%
Quebec		18,477					
Financement Quebec		0					
Saskatchewan		0	0%	336,261	10%	336,261	10%
<b>Bond Pool</b>		<b>0</b>	<b>3%</b>	<b>3,362,613</b>	<b>100%</b>	<b>3,270,163</b>	<b>97%</b>
Alberta		0	2%	336,261	10%	262,289	8%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	336,261	10%	336,261	10%
Manitoba		0	0%	336,261	10%	336,261	10%
New Brunswick		0	0%	336,261	10%	336,261	10%
Ontario		0	0%	336,261	10%	336,261	10%
Quebec		0	1%	336,261	10%	317,784	9%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	336,261	10%	336,261	10%
<b>Total Fixed</b>		<b>92,450</b>					