

**Audit and Finance Standing Committee
October 16, 2013**

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

Original Signed
by Bruce Fisher

SUBMITTED BY: _____
FOR Greg Keefe, Director of Finance and Information Technology / CFO

DATE: October 3, 2013

SUBJECT: Investment Activities – Quarter Ending June 30, 2013

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 June 30, 2013 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 October 16.

DISCUSSIONHRM Investment Activities

HRM Money Market Pool investment performance is summarized below in comparison with the Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds for periods ending June 30, 2013:

Money Market Funds	3 Months (to June 30, 2013)	6 Months (to June 30, 2013)	1 Year (to June 30, 2013)
5 th Percentile	.32%	.66%	1.27%
1 st Quartile	.30%	.59%	1.25%
Mercer Median	.29%	.58%	1.19%
3 rd Quartile	.26%	.52%	1.06%
95 th Percentile	.24%	.48%	0.97%
Dec 91 Day T-Bills	.24%	.48%	1.00%
HRM	.29%	.59%	1.20%

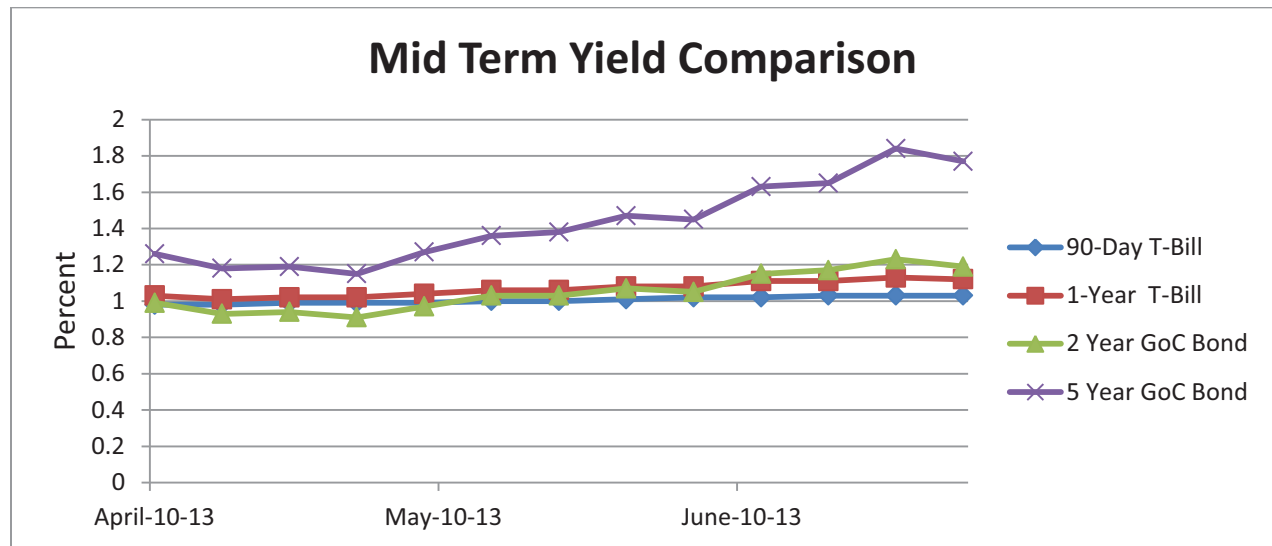
Relative performance was at median for the Quarter while slightly above for the other two time periods shown. This is somewhat better than expected, particularly for the Quarter, given the flatness of the Money Market yield curve and the very high quality of the HRM portfolio.

The Quarter saw 109 money market investments made at a cost of \$415,524,556 with an average term to maturity of 127 days. This compares to last year's 1st Quarter of 85 investments made at a cost of \$338,075,536 with an average term of 141 days. The relatively high activity level reflects the interim property tax bill that was due April 30, debenture proceeds for HRM and Halifax Water and the rollover of longer dated instruments purchased in April 2012.

The predominant strategy was to use Non-Government instruments to cover cash needs and invest in Provincial instruments when necessary to manage sector weights and lock in some yield with longer dated product. The bank account continued to provide an attractive rate of interest relative to other short term Financial Institution instruments and was used extensively. Some shorter Provincial Floating Rate Notes (FRN's) were also purchased with one or two resets remaining. These FRN's offered a yield pickup over similar fixed rate instruments for accepting the risk that the rates offered could be negatively impacted on the reset dates. Staff views this risk as a very low probability.

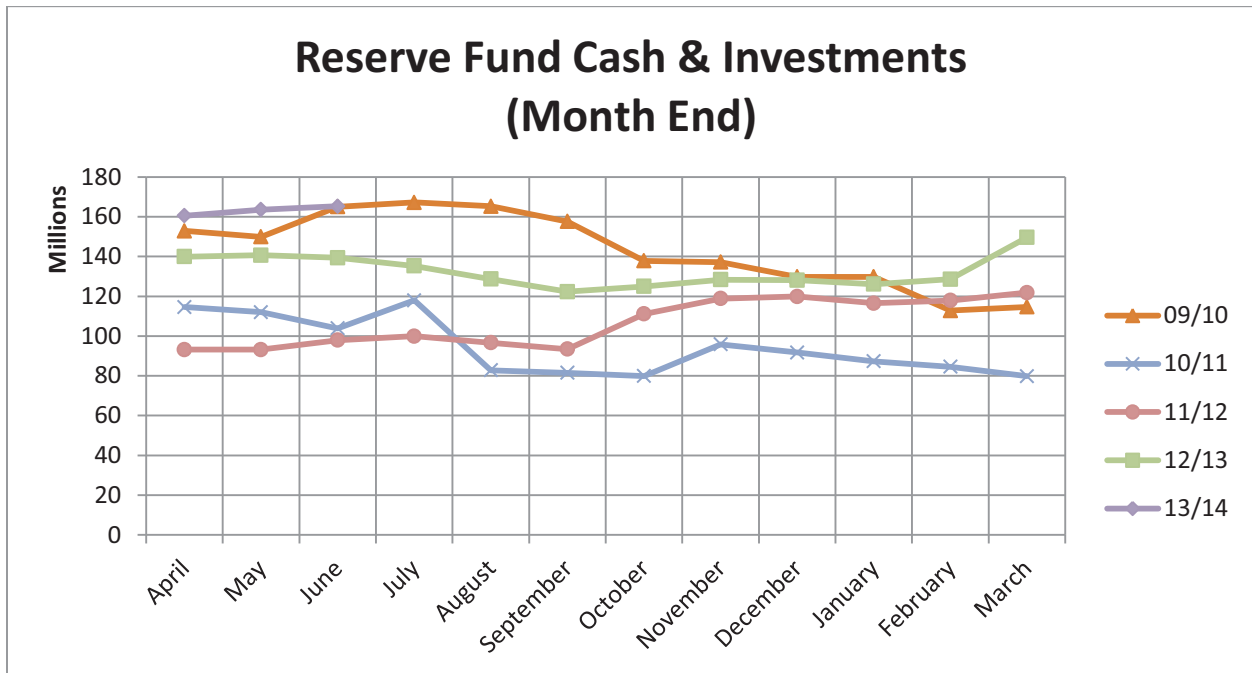
HRM Short Term Bond Pool

Beginning in late May and progressing through the summer, bond yields have begun a somewhat choppy move upwards. Generally this has been in response to better than anticipated labour reports in Canada and the U.S. and discussions by U.S. Federal Reserve officials on potential future tapering of their current \$85 billion a month bond buying program. As demonstrated below the net result of these developments has been a significant divergence between yields with terms of 1 year or less and longer term instruments.



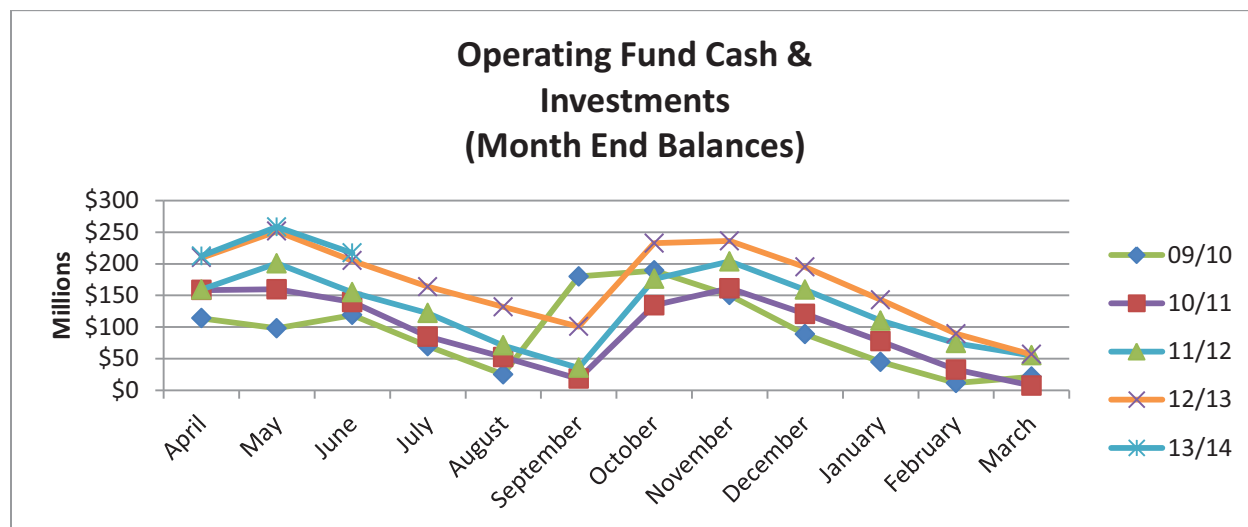
With little prospect for Bank of Canada rate increases in the near future and very low inflation in Canada, staff saw value in the 5 year term and began accumulating bonds near the middle of June. By the end of September some \$11,000,000 of Provincial bonds were purchased with yields ranging from 1.94% to 2.58%. Staff took a measured approach purchasing primarily AAA rated Province of Alberta bonds in \$1,000,000 increments as yields continued to move higher, albeit with some volatility. Some \$2,000,000 of AA (High) rated Province of British Columbia bonds were also added.

An additional motivation for the bond purchases came from the growth in Reserve Fund balances as shown below. While individual Reserves can fluctuate considerably the recent trend to higher Reserves in total provides more leeway for the accumulation of bonds out to the 5 year term. The key consideration is getting value in terms of a high enough yield for the term commitment.



Cash Flows

Operating Fund cash and investments were slightly above last year’s levels for the Quarter under review. Staff has completed a reconciliation of Operating Fund cash and investments as at March 31, 2012 and 2013 that explains the approximately \$55 million year end balances. The main sources of these balances are accumulated funds for Retiring Allowances, the pre-payment of property taxes both from the Pre-Authorized Payment Program and early payments on the interim Property Tax bill and the surplus. An increase, relative to the previous year, in payables offset an increase in bridge financing to the Capital Fund. These temporary cash and investment balances provide liquidity for HRM operational expenditures as well as provide bridge financing to Capital Fund projects including the upcoming LED street light replacement project.



In the current interest rate environment the HRM banker continues to offer a relatively attractive yield which entices staff to maximize funds on deposit under the Policy guidelines. For example, for the reporting Quarter the average level was 97.3% of the Policy guideline.

Subsequent to End of Reporting Quarter

Newly appointed Bank of Canada Governor Poloz delivered his first interest rate decision July 17 with no change in rates and generally keeping to the script of his predecessor Governor Carney that rates are likely to rise at some point in the future.

The U.S. Federal Reserve shocked markets when they failed to begin the tapering of the \$85 billion a month bond buying program at their September 18 meeting as had been widely expected. Markets are still digesting the implications for the economy and future Federal Reserve policy and communication strategies.

Elected officials in the U.S. failed to reach a budget agreement by September 30 resulting in a partial shutdown of the U.S. government including the layoff of some 800,000 federal government employees. Budget negotiations are ongoing.

Outlook & Strategy

The tepid recovery in the U.S. continues. In Europe there are some early signs of employment stabilization and an abandonment of the austerity at all costs mindset. The Canadian housing market continues to show resilience. In summary, slow growth, but growth nonetheless, with subdued inflation seems likely. In this environment there is little pressure for administered rates to rise resulting in a fairly flat Money Market yield curve. The bond market has the challenge of trying to figure out where yields should be if the U.S. Federal Reserve slows down or stops its bond buying programs.

In terms of strategy, staff will continue to take advantage of opportunities to add to the Bond Pool to enhance the yield on the Reserves. For shorter term funds staff will lock in funds near the one year term when rates are relatively attractive with Provincial instruments as well as look for opportunities to enhance yield with Floating Rate Notes. Shorter term cash requirements will continue to be covered off with Financial Institution instruments.

Policy Compliance

In keeping with the recent amendments to the Policy staff has modified the Policy Compliance section.

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 somewhat above median for the year ending June 30, 2013 even before allowing for fees for external management. As a result, staff maintains that the Policy benchmark was met.

Strategies:

Diversification of Investment Portfolio - Staff believes 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

Operating Fund Investment Income was \$608,862 versus a budget of \$594,000 for the Quarter while the rate of return matched budget at .29%. The small positive income variance was due to somewhat better than anticipated cash levels.

COMMUNITY ENGAGEMENT

Investment activities are reported quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (5 of 7) 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 @ June 30, 2013 (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

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

Original Signed

Report Approved by: Jerry Blackwood, CGA, Manager of Revenue, 490-6470

Sector Weights @ June 30, 2013

SCHEDULE A

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	1,978,440	0%	427,918,372	100%	421,959,156	99%
Federal Government	Open	1,978,440	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	198,743,343	46%	427,918,372	100%	229,175,029	54%
Total Alberta (R-1 High)	Open	0	3%	106,979,593	25%	93,076,227	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	58,177,561	14%	106,979,593	25%	48,802,032	11%
Manitoba (R-1 Mid)	Open	0	0%	106,979,593	25%	106,979,593	25%
New Brunswick (R-1 Mid)	Open	2,401,511	1%	106,979,593	25%	104,578,082	24%
Ontario (R-1 Mid)	Open	90,183,647	21%	106,979,593	25%	16,795,946	4%
Quebec (R-1 Mid)	Open	47,980,624	18%	106,979,593	25%	27,983,107	7%
Quebec		23,226,825					
Financement Quebec		0					
Hydro Quebec		24,753,799					
Saskatchewan (R-1 High)	Open	0	0%	106,979,593	25%	106,979,593	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	11,449,180	3%	106,979,593	25%	95,530,413	22%
Calgary (R-1 High)	Open			42,791,837	10%	42,791,837	10%
Edmonton (R-1 High)	Open	11,449,180		42,791,837	10%	31,342,657	7%
Financial Institutions & their Guarantees /Corporations		166,840,995	39%	213,959,186	50%	47,118,191	11%
BA's Schedule A							
Canadian Banks R-1							
Tier 1 - Financial Institutions & their Guarantees	Mid	138,997,643	32%	213,959,186	50%	74,961,543	18%
Bank of Montreal (R-1 High)	Open	34,925,611	8%	42,791,837	10%	7,866,226	2%
Bank of Nova Scotia (R-1 High)	Open	0	8%	42,791,837	10%	9,989,286	2%
Bank of Nova Scotia - Effective Cash		-197,449					
Bank of Nova Scotia - Notice Account		33,000,000					
Canadian Imperial Bank of Commerce (R-1 High)	Open	39,200,457	9%	42,791,837	10%	3,591,380	1%
Royal Bank (R-1 High)	Open	19,946,690	5%	42,791,837	10%	22,845,147	5%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	12,122,334	3%	42,791,837	10%	30,669,503	7%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	27,843,352	7%	106,979,593	25%	79,136,241	18%
National Bank of Canada (R-1 Mid)	Open	13,066,825	3%	21,395,919	5%	8,329,094	2%
OMERS Realty Corporation (R-1 High)	Open	14,776,527	3%	21,395,919	5%	6,619,392	2%
CDP Financial Inc (R-1 High)	Open	0	0%	21,395,919	5%	21,395,919	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	21,395,919	5%	21,395,919	5%
Desjardins Total		0	0%	21,395,919	5%	21,395,919	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		379,011,958	86%				
FIXED (Bonds, etc. over one year)							
Federal Government		3,980,776	1%	85,583,674	20%	81,602,898	19%
Money Market							
Bond Pool		3,980,776					
Provincial Government & their Guarantees		44,919,228	10%	85,583,674	20%	40,664,446	10%
Money Market		39,018,626	10%	85,583,674	20%	40,664,446	10%
Alberta		8,002,764	3%	42,791,837	10%	28,888,471	7%
Alberta		1,991,944					
Alberta Capital Finance Authority		6,010,820					
Alberta Treasury Branches							
British Columbia		0	0%	42,791,837	10%	42,791,837	10%
Manitoba		0	0%	42,791,837	10%	42,791,837	10%
New Brunswick		0	0%	42,791,837	10%	42,791,837	10%
Ontario		0	0%	42,791,837	10%	42,791,837	10%
Quebec		31,015,862	7%	42,791,837	10%	11,775,975	3%
Quebec		14,006,274					
Financement Quebec		17,009,588					
Saskatchewan		0	0%	42,791,837	10%	42,791,837	10%
Bond Pool		5,900,602	10%	85,583,674	20%	40,664,446	10%
Alberta		5,900,602	3%	42,791,837	10%	28,888,471	7%
Alberta		4,884,674					
Alberta Capital Finance Authority		1,015,928					
Alberta Treasury Branches							
British Columbia		0	0%	42,791,837	10%	42,791,837	10%
Manitoba		0	0%	42,791,837	10%	42,791,837	10%
New Brunswick		0	0%	42,791,837	10%	42,791,837	10%
Ontario		0	0%	42,791,837	10%	42,791,837	10%
Quebec		0	7%	42,791,837	10%	11,775,975	3%
Quebec							
Financement Quebec							
Saskatchewan		0	0%	42,791,837	10%	42,791,837	10%
Total Fixed		48,900,004	11%	85,583,674	20%	36,683,670	9%
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		427,918,372					
Interest Bearing Bank Accounts - O/S Cheque Coverage		13,145,422	*				
Total Investments and O/S Cheques Coverage		441,063,794					

**Operating Funds
Sector Weights
Sector Weights @ June 30, 2013**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	1,227,123	0%	259,282,619	100%	258,055,495	100%
Federal Government	Open	1,227,123	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	123,270,154	48%	259,282,619	100%	136,012,465	52%
Total Alberta (R-1 High)	Open	0	0%	64,820,655	25%	61,092,456	24%
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	36,084,514	14%	64,820,655	25%	28,736,141	11%
Manitoba (R-1 Mid)	Open	0	0%	64,820,655	25%	64,820,655	25%
New Brunswick (R-1 Mid)	Open	1,489,532	1%	64,820,655	25%	63,331,122	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		64,820,655	25%	64,820,655	25%
Ontario (R-1 Mid)	Open	55,936,224	23%	64,820,655	25%	8,884,431	3%
Quebec (R-1 Mid)	Open	29,759,884	11%	64,820,655	25%	15,823,245	6%
Saskatchewan (R-1 High)	Open	0	0%	64,820,655	25%	64,820,655	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	7,101,331		64,820,655	25%	57,719,324	22%
Calgary (R-1 High)	Open	0		25,928,262	10%	25,928,262	10%
Edmonton (R-1 High)	Open	7,101,331		25,928,262	10%	18,826,931	7%
Financial Institutions & their Guarantees /Corporations		103,482,787	40%	129,641,309	50%	26,158,522	10%
BA's Schedule A							
Canadian Banks R-1							
Tier 1 - Financial Institutions & their Guarantees	Mid	86,213,005	33%	129,641,309	50%	43,428,304	17%
Bank of Montreal (R-1 High)	Open	21,662,539	8%	25,928,262	10%	4,265,723	2%
Bank of Nova Scotia (R-1 High)	Open	0	8%	25,928,262	10%	5,582,547	2%
Bank of Nova Scotia Effective Cash		-122,468					
Bank of Nova Scotia - Notice Account		20,468,183					
Canadian Imperial Bank of Commerce (R-1 High)	Open	24,314,004	9%	25,928,262	10%	1,614,258	1%
Royal Bank (R-1 High)	Open	12,371,894	5%	25,928,262	10%	13,556,368	5%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	7,518,853	3%	25,928,262	10%	18,409,409	7%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	17,269,782	7%	64,820,655	25%	47,550,872	18%
National Bank of Canada (R-1 Mid)	Open	8,104,672	3%	12,964,131	5%	4,859,459	2%
OMERS Realty Corporation (R-1 High)	Open	9,165,111	4%	12,964,131	5%	3,799,020	1%
CDP Financial Inc (R-1 High)	Open	0	0%	12,964,131	5%	12,964,131	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	12,964,131	5%	12,964,131	5%
Desjardins Total		0	0%	12,964,131	5%	12,964,131	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Investments		235,081,395	88%				
FIXED (Bonds, etc. over one year)							
Federal Government		0	0%	51,856,524	20%	51,856,524	20%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		24,201,223	9%	51,856,524	20%	27,655,300	11%
Money Market							
Alberta		24,201,223	9%	51,856,524	20%	27,655,300	11%
Alberta		3,728,199	1%	25,928,262	10%	22,200,063	9%
Alberta Capital Finance Authority		3,728,199					
Alberta Treasury Branches		0					
British Columbia		0	0%	25,928,262	10%	25,928,262	10%
Manitoba		0	0%	25,928,262	10%	25,928,262	10%
New Brunswick		0	0%	25,928,262	10%	25,928,262	10%
Ontario		0	0%	25,928,262	10%	25,928,262	10%
Quebec		19,237,525	7%	25,928,262	10%	6,690,737	3%
Quebec		8,687,363					
Financement Quebec		10,550,162					
Saskatchewan		0	0%	25,928,262	10%	25,928,262	10%
Bond Pool		0	9%	51,856,524	20%	27,655,300	11%
Alberta		0	1%	25,928,262	10%	22,200,063	9%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	25,928,262	10%	25,928,262	10%
Manitoba		0	0%	25,928,262	10%	25,928,262	10%
New Brunswick		0	0%	25,928,262	10%	25,928,262	10%
Ontario		0	0%	25,928,262	10%	25,928,262	10%
Quebec		0	7%	25,928,262	10%	6,690,737	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	25,928,262	10%	25,928,262	10%
Total Fixed		24,201,223	9%	51,856,524	20%	27,655,300	11%
Total Investments		259,282,619					
Interest Bearing Bank Accounts - O/S Cheque Coverage		13,145,422	*				
Total Investments and O/S Cheques Coverage		272,428,041					

**Capital Funds
Sector Weights
Sector Weights @ June 30, 2013**

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	0	0%	0	100%	0	0%
Federal Government	Open	0	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	0	0%	0	100%	0	0%
Total Alberta (R-1 High)	Open	0	0%	0	25%	0	0%
Alberta (R-1 High)	Open	0					
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		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	0%	0	25%	0	0%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		0	25%	0	0%
Calgary (R-1 High)	Open	0		0	10%	0	0%
Edmonton (R-1 High)	Open	0		0	10%	0	0%
Financial Institutions & their Guarantees /Corporations		0	0%	0	50%	0	0%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	0	0%	0	50%	0	0%
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%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	0	0%	0	25%	0	0%
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					
Total Investments		0	0%				
FIXED (Bonds, etc. over one year)							
Federal Government		0	0%	0	20%	0	0%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		0	0%	0	20%	0	0%
Money Market		0	0%	0	20%	0	0%
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					
Saskatewan		0	0%	0	10%	0	0%
Bond Pool		0	0%	0	20%	0	0%
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					
Saskatewan		0	0%	0	10%	0	0%
Total Fixed		0	0%	0	20%	0	0%
Total Investments		0					

**Reserve Funds
Sector Weights
Sector Weights @ June 30, 2013**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	735,416	0%	165,269,551	100%	160,553,360	97%
Federal Government	Open	735,416	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	73,875,851	45%	165,269,551	100%	91,393,701	55%
Total Alberta (R-1 High)	Open	0	1%	41,317,388	25%	32,442,040	20%
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	21,625,463	14%	41,317,388	25%	19,691,925	12%
Manitoba (R-1 Mid)	Open	0	0%	41,317,388	25%	41,317,388	25%
New Brunswick (R-1 Mid)	Open	892,677	1%	41,317,388	25%	40,424,711	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		41,317,388	25%	41,317,388	25%
Ontario (R-1 Mid)	Open	33,522,600	22%	41,317,388	25%	7,794,788	5%
Quebec (R-1 Mid)	Open	17,835,110	11%	41,317,388	25%	11,953,221	7%
Saskatchewan (R-1 High)	Open	0	7%	41,317,388	25%	41,317,388	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	4,255,830		41,317,388	25%	37,061,558	22%
Calgary (R-1 High)	Open	0		16,526,955	10%	16,526,955	10%
Edmonton (R-1 High)	Open	4,255,830		16,526,955	10%	12,271,125	7%
Financial Institutions & their Guarantees /Corporations		62,017,274	38%	82,634,776	50%	20,617,501	12%
BA's Schedule A							
Canadian Banks R-1							
Tier 1 - Financial Institutions & their Guarantees	Mid	51,667,487	31%	82,634,776	50%	30,967,289	19%
Bank of Montreal (R-1 High)	Open	12,982,368	8%	16,526,955	10%	3,544,587	2%
Bank of Nova Scotia (R-1 High)	Open	0	7%	16,526,955	10%	4,333,760	3%
Bank of Nova Scotia - Effective Cash		-73,395					
Bank of Nova Scotia - Notice Account		12,266,590					
Canadian Imperial Bank of Commerce (R-1 High)	Open	14,571,392	9%	16,526,955	10%	1,955,563	1%
Royal Bank (R-1 High)	Open	7,414,481	4%	16,526,955	10%	9,112,474	6%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	4,506,051	3%	16,526,955	10%	12,020,904	7%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	10,349,787	6%	41,317,388	25%	30,967,601	19%
National Bank of Canada (R-1 Mid)	Open	4,857,133	3%	8,263,478	5%	3,406,345	2%
OMERS Realty Corporation (R-1 High)	Open	5,492,654	3%	8,263,478	5%	2,770,823	2%
CDP Financial Inc (R-1 High)	Open	0	0%	8,263,478	5%	8,263,478	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	8,263,478	5%	8,263,478	5%
Desjardins Total		0	0%	8,263,478	5%	8,263,478	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		140,884,371	83%				
FIXED (Bonds, etc. over one year)							
Federal Government		3,980,776	3%	165,269,551	100%	161,288,775	98%
Money Market		0					
Bond Pool		3,980,776					
Provincial Government & their Guarantees		20,404,404	12%	82,634,776	50%	62,230,371	38%
Money Market		14,503,802	12%	82,634,776	50%	62,230,371	38%
Alberta		2,974,746	5%	16,526,955	10%	7,651,607	5%
Alberta		740,435					
Alberta Capital Finance Authority		2,234,311					
Alberta Treasury Branches		0					
British Columbia		0	0%	16,526,955	10%	16,526,955	10%
Manitoba		0	0%	16,526,955	10%	16,526,955	10%
New Brunswick		0	0%	16,526,955	10%	16,526,955	10%
Ontario		0	0%	16,526,955	10%	16,526,955	10%
Quebec		11,529,056	7%	16,526,955	10%	4,997,899	3%
Quebec		5,206,340					
Financement Quebec		6,322,716					
Saskatchewan		0	0%	16,526,955	10%	16,526,955	10%
Bond Pool		5,900,602	12%	82,634,776	50%	62,230,371	38%
Alberta		5,900,602	5%	16,526,955	10%	7,651,607	5%
Alberta		4,884,674					
Alberta Capital Finance Authority		1,015,928					
Alberta Treasury Branches		0					
British Columbia		0	0%	16,526,955	10%	16,526,955	10%
Manitoba		0	0%	16,526,955	10%	16,526,955	10%
New Brunswick		0	0%	16,526,955	10%	16,526,955	10%
Ontario		0	0%	16,526,955	10%	16,526,955	10%
Quebec		0	7%	16,526,955	10%	4,997,899	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	16,526,955	10%	16,526,955	10%
Total Fixed		24,385,180	15%	165,269,551	100%	140,884,371	85%
Total Investments		165,269,551					

**Trust Funds
Sector Weights
Sector Weights @ June 30, 2013**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	15,901	0%	3,366,202	100%	3,350,300	100%
Federal Government	Open	15,901	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	1,597,338	47%	3,366,202	100%	1,768,863	53%
Total Alberta (R-1 High)	Open	0	1%	841,550	25%	777,231	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	467,584	14%	841,550	25%	373,966	11%
Manitoba (R-1 Mid)	Open	0	0%	841,550	25%	841,550	25%
New Brunswick (R-1 Mid)	Open	19,301	1%	841,550	25%	822,249	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			841,550	25%	841,550	25%
Ontario (R-1 Mid)	Open	724,823	23%	841,550	25%	116,727	3%
Quebec (R-1 Mid)	Open	385,629	11%	841,550	25%	206,641	6%
Saskatchewan (R-1 High)	Open	0	0%	841,550	25%	841,550	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	92,019		841,550	25%	749,531	22%
Calgary (R-1 High)	Open			336,620	10%	336,620	10%
Edmonton (R-1 High)	Open	92,019		336,620	10%	244,601	7%
Financial Institutions & their Guarantees /Corporations		1,340,933	40%	1,683,101	50%	342,168	10%
BA's Schedule A							
Canadian Banks R-1							
Tier 1 - Financial Institutions & their Guarantees	Mid	1,117,151	33%	1,683,101	50%	565,950	17%
Bank of Montreal (R-1 High)	Open	280,704	8%	336,620	10%	55,916	2%
Bank of Nova Scotia (R-1 High)	Open	0	8%	336,620	10%	72,980	2%
Bank of Nova Scotia - Effective Cash		-1,587					
Bank of Nova Scotia - Notice Account		265,227					
Canadian Imperial Bank of Commerce (R-1 High)	Open	315,062	9%	336,620	10%	21,559	1%
Royal Bank (R-1 High)	Open	160,315	5%	336,620	10%	176,305	5%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	97,430	3%	336,620	10%	239,191	7%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	223,782	7%	841,550	25%	617,768	18%
National Bank of Canada (R-1 Mid)	Open	105,021	3%	168,310	5%	63,290	2%
OMERS Realty Corporation (R-1 High)	Open	118,762	4%	168,310	5%	49,548	1%
CDP Financial Inc (R-1 High)	Open	0	0%	168,310	5%	168,310	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	168,310	5%	168,310	5%
Desjardins Total		0	0%	168,310	5%	168,310	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		3,046,191	88%				
FIXED (Bonds, etc. over one year)							
Federal Government		0	0%	3,366,202	100%	3,366,202	100%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		313,600	9%	3,366,202	100%	3,052,601	91%
Money Market		313,600	100%	3,366,202	100%	3,052,601	91%
Alberta		64,320	2%	336,620	10%	272,300	8%
Alberta		16,010					
Alberta Capital Finance Authority		48,310					
Alberta Treasury Branches							
British Columbia		0	0%	336,620	10%	336,620	10%
Manitoba		0	0%	336,620	10%	336,620	10%
New Brunswick		0	0%	336,620	10%	336,620	10%
Ontario		0	0%	336,620	10%	336,620	10%
Quebec		249,280	7%	336,620	10%	87,340	3%
Quebec		112,571					
Financement Quebec		136,709					
Saskatchewan		0	0%	336,620	10%	336,620	10%
Bond Pool		0	9%	3,366,202	100%	3,052,601	91%
Alberta		0	2%	336,620	10%	272,300	8%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	336,620	10%	336,620	10%
Manitoba		0	0%	336,620	10%	336,620	10%
New Brunswick		0	0%	336,620	10%	336,620	10%
Ontario		0	0%	336,620	10%	336,620	10%
Quebec		0	7%	336,620	10%	87,340	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	336,620	10%	336,620	10%
Total Fixed		313,600					
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		3,366,202					

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Apr 7.2%, May 7.1%, Jun 7.1%	Apr 7.5%, May 7.6%, Jun 7.6%
Jobs Created / (Lost) ('000's)	Apr 12.5, May 95, Jun -4	Apr 199, May 195, Jun 195
CPI (year over year)	Apr .4%, May .7%, Jun 1.2%	Apr 1.1%, May 1.4%, Jun 1.8%
CPI-X (Core) (year over year)	Apr 1.1%, May 1.1%, Jun 1.3%	Apr 1.7%, May 1.7%, Jun 1.6%
GDP	Q2 1.7%	Q2 P 2.5%

Central Bank Activities

- April 17th Bank of Canada Maintains overnight rate at 1.0%
- May 1st U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- May 29th Bank of Canada Maintains overnight rate at 1.0%
- June 19th 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

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.