

Item No. 9.1.2

**Audit and Finance Standing Committee
January 17, 2014**

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: December 17, 2013

SUBJECT: Investment Activities – Quarter Ending September 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 September 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 January 17.

DISCUSSION

HRM 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 September 30, 2013:

Money Market Funds	3 Months (to Sept. 30, 2013)	9 Months (to Sept. 30, 2013)	1 Year (to Sept.30, 2013)
5 th Percentile	.34%	.96%	1.27%
1 st Quartile	.30%	.90%	1.24%
Mercer Median	.30%	.87%	1.17%
3 rd Quartile	.27%	.79%	1.06%
95 th Percentile	.24%	.73%	.98%
Dec 91 Day T-Bills	.29%	.76%	1.05%
HRM	.29%	.88%	1.19%

HRM relative performance was slightly below median for the Quarter but slightly above median for the nine month and one year periods. This relative performance is somewhat better than expected given the flatness of the short term yield curve and the very high quality of the HRM portfolio. Cost savings from not paying external management fees continue to be achieved.

The Quarter saw 56 money market investments made at a cost of \$165,628,074 with an average term to maturity of 91 days. This compares to last year's 2nd Quarter of 36 investments made at a cost of \$115,219,000 with an average term of 97 days. The elevated activity level in the Quarter compared to last year was mostly due to more rollovers of investments. There was \$323,000,000 of maturities during the Quarter versus \$212,000,000 last year. In addition to the money market investment noted above, \$5,000,000 of Quebec Floating Rate Notes maturing in December of 2013 were purchased at a relatively attractive interest rate.

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.

Operating Fund Investment Income for the six months ending September 30 was \$1,066,000 versus a budget of \$1,053,000 while the actual rate of return equalled the budget of .58 %. The small positive variance was as a result of somewhat better than anticipated cash levels in the Operating Fund. This trend,

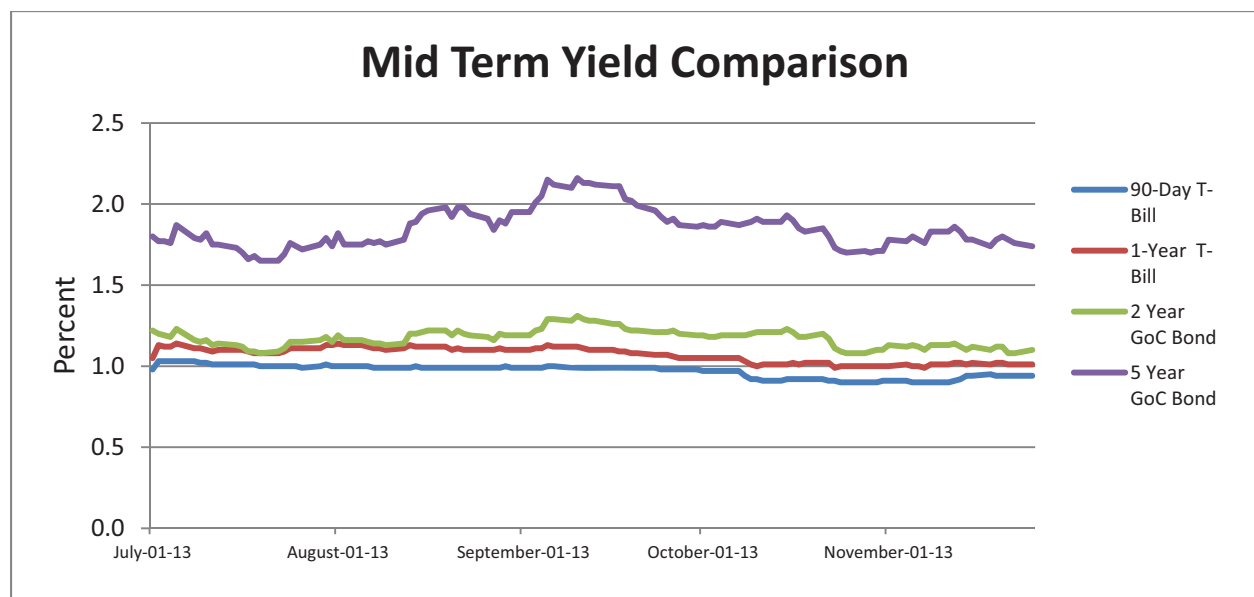
however, does not appear to be continuing in the second half of the year with cash levels showing somewhat below anticipated levels. At this time staff is continuing to project that the budget of \$2,000,000 will be met but continue to monitor this situation closely.

HRM Short Term Bond Pool

Taking advantage of the continuing backup in yields during the Quarter on indications from the U.S Federal Reserve that their monthly bond purchases would soon be scaled back, staff accumulated an additional \$6,000,000 of bonds at yields between 2.10% and 2.58% to a maximum term to the end of 2018. These bonds were issued by the Province of Alberta or its guarantees and British Columbia which are AAA and AA High credits respectively. This brings the total in the Bond Pool to some \$16,000,000.

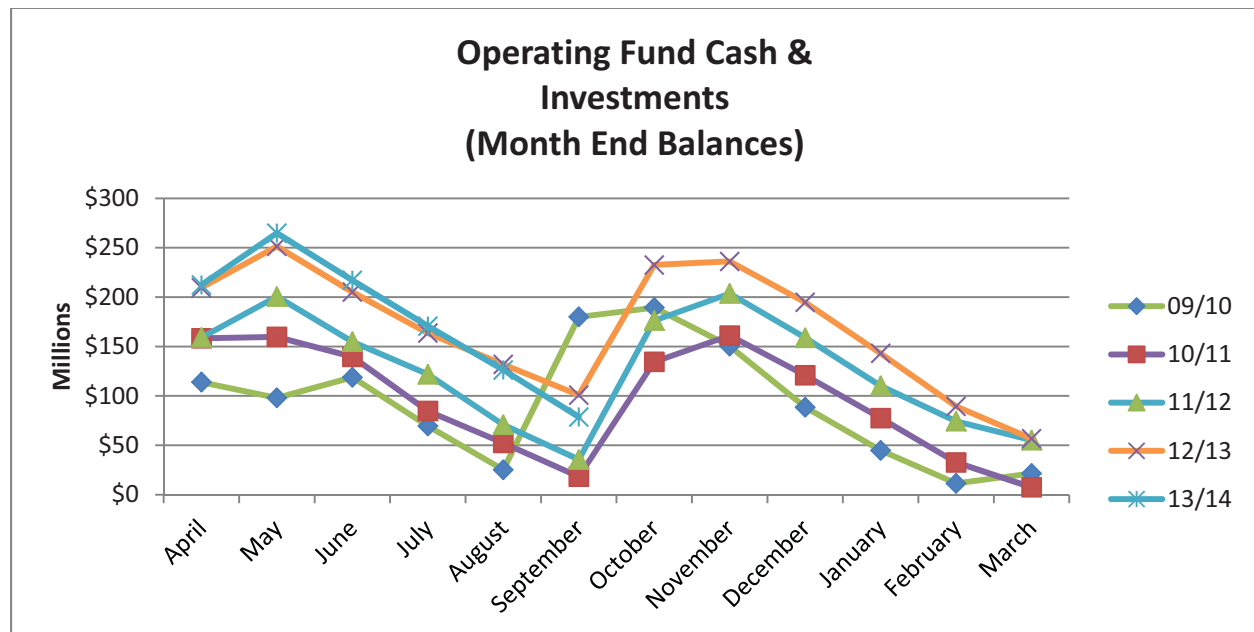
However, the U.S. Federal Reserve shocked markets when it failed to begin a reduction in its \$85 billion dollar a month bond buying program at its September 18 meeting as had been widely anticipated. In explaining the decision not to alter the bond buying program officials cited the recent increase in bond yields as well as a desire to see further evidence that more restrictive fiscal policy was not having a greater than anticipated impact on the economy. The latter concern was somewhat validated when the failure to reach a budget agreement or even a continuing resolution forced a partial U.S. government shutdown in October. Adding to the fiscal uncertainty was a failure to reach any agreement on raising the debt ceiling until the “11th hour” which risked a default on U.S. debt. Temporary measures were later agreed to keep the U.S. government open until into January and suspend the debt ceiling into February. The actual economic fallout is still being considered but some reaction from the bond market can be seen below with 5 year yields down close to .5%.

Staff will continue to look for opportunities to add to the bond pool with due consideration to the volatility of interest rates.



Cash Flows

As mentioned previously in this report, for most of the first half of the fiscal year cash and investment levels for the Operating Fund were running somewhat above the previous year’s levels until towards the end of the 2nd Quarter when this trend began to deteriorate. The modestly negative trend has continued into the 3rd Quarter primarily driven by the later payment of Federal Grants in Lieu of taxes this year versus last year, a modestly higher level of capital expenditures and the payment of some funds to Halifax Water from previously retained HRM surplus funds.



The HRM bank account exceeded the Policy guideline by some \$3,000,000 for one day on September 4. Staff discussed this with the Committee and they agreed with staff that this minor temporary variance did not constitute a material increase in risk to the portfolio.

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 87.5% of the Policy guideline.

Subsequent to End of Reporting Quarter

The fiscal uncertainty in the U.S., briefly discussed earlier in this report, led to some flight to quality buying of Canadian Treasury Bills by foreign accounts. Because of their large size relative to the Canadian market they exerted significant downward pressure on Treasury Bills bringing the 1 year yield down by some 1/10th of 1%.

The Bank of Canada at its October 23 interest rate setting meeting removed all remnants of a weak tightening bias citing persistently low inflation that is anticipated to only gradually return to the 2% target around the end of 2015. Implicitly acknowledging the symmetry of their inflation targeting, they implied greater monetary stimulus, i.e. even lower rates, would be appropriate if not for a fear of “exacerbating

already elevated household imbalances”. With October year over year headline inflation at .7% and core at 1.2% the Bank’s inflation concerns seem well founded.

Outlook & Strategy

Despite extremely aggressive actions by monetary authorities in many developed economies inflation remains persistently low. In the U.S. the efficacy of some of these measures is being questioned even as the market demonstrates that even slowing down these measures can be a complex exercise as the recent consideration of tapering the monthly \$85 billion bond buying program has demonstrated. One credible commentator has suggested that the lack of inflation means that the low in bond yields for this cycle has yet to be seen. However, a more consensus view is that bond yields will move somewhat higher as the U.S. economy shows better growth prospects in 2014 with the impact of the sequestration cuts absorbed creating a backdrop where the U.S Federal Reserve can actually begin tapering. Europe also is showing modest growth. Even under this optimistic view administered rates will remain at current levels for years to come.

Staff will continue to look for opportunities to add to the Bond Pool should bond yields rise again. In the Money Market area longer dated Provincial instruments will be favoured to lock in some yield while serving to provide ‘insurance’ should the Bank of Canada actually cut rates and for sector weight management. The focus in the non-Government sector will be on covering cash requirements and integrating the new investment bank accounts.

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 September 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 \$1,066,000 versus a budget of \$1,053,000 for the Quarter while the rate of return matched budget at .58%. The small positive income variance was due to somewhat better than anticipated cash levels. While the positive cash flow trend began to deteriorate modestly near the end of the reporting Quarter, staff is still optimistic that the Operating Fund Investment Income budget will be met for the fiscal year but will continue to monitor this closely.

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 @ September 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 @ September 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	1%	274,010,350	100%	268,048,186	98%
Federal Government	Open	1,978,440	1%				
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	161,857,778	59%	274,010,350	100%	112,152,572	41%
Total Alberta (R-1 High)	Open	0	7%	68,502,587	25%	50,596,965	18%
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	59,397,078	22%	68,502,587	25%	6,882,260	3%
Manitoba (R-1 Mid)	Open	0	0%	68,502,587	25%	68,502,587	25%
New Brunswick (R-1 Mid)	Open	2,401,511	1%	68,502,587	25%	66,101,076	24%
Nova Scotia (R-1 Mid)	Open	0	0%	68,502,587	25%	68,502,587	25%
Ontario (R-1 Mid)	Open	68,410,871	25%	68,502,587	25%	91,716	0%
Quebec (R-1 Mid)	Open	31,648,318	18%	68,502,587	25%	17,848,852	7%
Quebec		23,226,825					
Financement Quebec		0					
Hydro Quebec		8,421,493					
Saskatchewan (R-1 High)	Open	0	0%	68,502,587	25%	68,502,587	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0	0%	68,502,587	25%	68,502,587	25%
Calgary (R-1 High)	Open	0	0%	27,401,035	10%	27,401,035	10%
Edmonton (R-1 High)	Open	0	0%	27,401,035	10%	27,401,035	10%
Financial Institutions & their Guarantees /Corporations		67,049,710	24%	137,005,175	50%	69,955,465	26%
BA's Schedule A							
Canadian Banks R-1							
Tier 1 - Financial Institutions & their Guarantees	Mid	59,064,030	22%	137,005,175	50%	77,941,145	28%
Bank of Montreal (R-1 High)	Open	10,974,020	4%	27,401,035	10%	16,427,015	6%
Bank of Nova Scotia (R-1 High)	Open	0	9%	27,401,035	10%	2,414,354	1%
Bank of Nova Scotia - Effective Cash		1,986,681					
Bank of Nova Scotia - Notice Account		23,000,000					
Canadian Imperial Bank of Commerce (R-1 High)	Open	13,968,640	5%	27,401,035	10%	13,432,395	5%
Royal Bank (R-1 High)	Open	9,134,689 }	3%	27,401,035	10%	18,266,346	7%
Royal Bank - Effective Cash		0 }					
Toronto Dominion (R-1 High)	Open	0	0%	27,401,035	10%	27,401,035	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	7,985,680	3%	68,502,587	25%	60,516,907	22%
National Bank of Canada (R-1 Mid)	Open	5,990,360	2%	13,700,517	5%	7,710,157	3%
OMERS Realty Corporation (R-1 High)	Open	0	0%	13,700,517	5%	13,700,517	5%
CDP Financial Inc (R-1 High)	Open	0	0%	13,700,517	5%	13,700,517	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	13,700,517	5%	13,700,517	5%
Desjardins Total		1,995,320	1%	13,700,517	5%	11,705,197	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,995,320					
Total Cash and Equivalents		230,885,928	84%				
FIXED (Bonds, etc. over one year)							
Federal Government		3,983,724	1%	54,802,070	20%	50,818,346	19%
Money Market							
Bond Pool		3,983,724					
Provincial Government & their Guarantees		39,134,288	14%	54,802,070	20%	15,667,782	6%
Money Market		27,006,697	14%	54,802,070	20%	15,667,782	6%
Alberta		8,001,280	7%	27,401,035	10%	9,495,413	3%
Alberta		1,992,620					
Alberta Capital Finance Authority		6,008,660					
Alberta Treasury Branches		0					
British Columbia		0	1%	27,401,035	10%	25,177,786	9%
Manitoba		0	0%	27,401,035	10%	27,401,035	10%
New Brunswick		0	0%	27,401,035	10%	27,401,035	10%
Nova Scotia		0	0%	27,401,035	10%	27,401,035	10%
Ontario		0	0%	27,401,035	10%	27,401,035	10%
Quebec		19,005,417	7%	27,401,035	10%	8,395,618	3%
Quebec		19,005,417					
Financement Quebec		0					
Saskatchewan		0	0%	27,401,035	10%	27,401,035	10%
Bond Pool		12,127,591	14%	54,802,070	20%	15,667,782	6%
Alberta		9,904,342	7%	27,401,035	10%	9,495,413	3%
Alberta		7,789,459					
Alberta Capital Finance Authority		2,114,883					
Alberta Treasury Branches		0					
British Columbia		2,223,249	1%	27,401,035	10%	25,177,786	9%
Manitoba		0	0%	27,401,035	10%	27,401,035	10%
New Brunswick		0	0%	27,401,035	10%	27,401,035	10%
Nova Scotia		0	0%	27,401,035	10%	27,401,035	10%
Ontario		0	0%	27,401,035	10%	27,401,035	10%
Quebec		0	7%	27,401,035	10%	8,395,618	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	27,401,035	10%	27,401,035	10%
Total Fixed		43,118,012	16%	54,802,070	20%	11,684,058	4%
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		274,010,350					
Interest Bearing Bank Accounts - O/S Cheque Coverage		20,508,344	*				
Total Investments and O/S Cheques Coverage		294,518,694					

SCHEDULE B

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

Category Status		Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	822,018	1%	107,151,262	100%	106,329,244	99%
Federal Government	Open	822,018	1%				
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	67,249,946	63%	107,151,262	100%	39,901,316	37%
Total Alberta (R-1 High)	Open	0	0%	26,787,815	25%	24,291,290	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	24,678,766	23%	26,787,815	25%	2,109,049	2%
Manitoba (R-1 Mid)	Open	0	0%	26,787,815	25%	26,787,815	25%
New Brunswick (R-1 Mid)	Open	997,799	1%	26,787,815	25%	25,790,017	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			26,787,815	25%	26,787,815	25%
Ontario (R-1 Mid)	Open	28,423,888	29%	26,787,815	25%	-1,636,073	-2%
Quebec (R-1 Mid)	Open	13,149,493	12%	26,787,815	25%	5,741,802	5%
Saskatchewan (R-1 High)	Open	0	0%	26,787,815	25%	26,787,815	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		26,787,815	25%	26,787,815	25%
Calgary (R-1 High)	Open			10,715,126	10%	10,715,126	10%
Edmonton (R-1 High)	Open	0		10,715,126	10%	10,715,126	10%
Financial Institutions & their Guarantees /Corporations		27,858,342	26%	53,575,631	50%	25,717,289	24%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	24,540,389	23%	53,575,631	50%	29,035,242	27%
Bank of Montreal (R-1 High)	Open	4,559,572	4%	10,715,126	10%	6,155,554	6%
Bank of Nova Scotia (R-1 High)	Open	0	10%	10,715,126	10%	333,463	0%
Bank of Nova Scotia Effective Cash		825,442					
Bank of Nova Scotia - Notice Account		9,556,221					
Canadian Imperial Bank of Commerce (R-1 High)	Open	5,803,801	5%	10,715,126	10%	4,911,325	5%
Royal Bank (R-1 High)	Open	3,795,353 }	4%	10,715,126	10%	6,919,774	6%
Royal Bank - Effective Cash		0 }					
Toronto Dominion (R-1 High)	Open	0	0%	10,715,126	10%	10,715,126	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	3,317,953	3%	26,787,815	25%	23,469,862	22%
National Bank of Canada (R-1 Mid)	Open	2,488,922	2%	5,357,563	5%	2,868,641	3%
OMERS Realty Corporation (R-1 High)	Open	0	0%	5,357,563	5%	5,357,563	5%
CDP Financial Inc (R-1 High)	Open	0	0%	5,357,563	5%	5,357,563	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	5,357,563	5%	5,357,563	5%
Desjardins Total		829,031	1%	5,357,563	5%	4,528,532	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	829,031					
Total Investments		95,930,306	90%				
FIXED (Bonds, etc. over one year)							
Federal Government		0	0%	21,430,252	20%	21,430,252	20%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		11,220,955	10%	21,430,252	20%	10,209,297	10%
Money Market		11,220,955	10%	21,430,252	20%	10,209,297	10%
Alberta		2,496,525	2%	10,715,126	10%	8,218,601	8%
Alberta							
Alberta Capital Finance Authority		2,496,525					
Alberta Treasury Branches							
British Columbia		0	0%	10,715,126	10%	10,715,126	10%
Manitoba		0	0%	10,715,126	10%	10,715,126	10%
New Brunswick		0	0%	10,715,126	10%	10,715,126	10%
Ontario		0	0%	10,715,126	10%	10,715,126	10%
Quebec		7,896,521	7%	10,715,126	10%	2,818,606	3%
Quebec		7,896,521					
Financement Quebec		0					
Saskatchewan		0	0%	10,715,126	10%	10,715,126	10%
Bond Pool		0	10%	21,430,252	20%	10,209,297	10%
Alberta		0	2%	10,715,126	10%	8,218,601	8%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	10,715,126	10%	10,715,126	10%
Manitoba		0	0%	10,715,126	10%	10,715,126	10%
New Brunswick		0	0%	10,715,126	10%	10,715,126	10%
Ontario		0	0%	10,715,126	10%	10,715,126	10%
Quebec		0	7%	10,715,126	10%	2,818,606	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	10,715,126	10%	10,715,126	10%
Total Fixed		11,220,955	10%	21,430,252	20%	10,209,297	10%
Total Investments		107,151,262					
Interest Bearing Bank Accounts - O/S Cheque Coverage		20,508,344	*				
Total Investments and O/S Cheques Coverage		127,659,606					

**Capital Funds
Sector Weights
Sector Weights @ September 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	0%				
Alberta Capital Finance Authority (R-1 High)	Open	0	0%				
Alberta Treasury Branches (R-1 High)	Open	0	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%	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 Brunswick		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%
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 Brunswick		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%
Total Fixed		0	0%	0	20%	0	0%
Total Investments		0					

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

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	1,130,622	1%	163,489,614	100%	158,375,268	97%
Federal Government	Open	1,130,622	1%				
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	92,497,116	57%	163,489,614	100%	70,992,498	43%
Total Alberta (R-1 High)	Open	0	2%	40,872,404	25%	26,395,558	16%
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	33,943,740	21%	40,872,404	25%	4,705,414	3%
Manitoba (R-1 Mid)	Open	0	0%	40,872,404	25%	40,872,404	25%
New Brunswick (R-1 Mid)	Open	1,372,395	1%	40,872,404	25%	39,500,008	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0	0%	40,872,404	25%	40,872,404	25%
Ontario (R-1 Mid)	Open	39,094,867	27%	40,872,404	25%	1,777,537	1%
Quebec (R-1 Mid)	Open	18,086,113	11%	40,872,404	25%	11,925,235	7%
Saskatchewan (R-1 High)	Open	0	7%	40,872,404	25%	40,872,404	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		40,872,404	25%	40,872,404	25%
Calgary (R-1 High)	Open	0		16,348,961	10%	16,348,961	10%
Edmonton (R-1 High)	Open	0		16,348,961	10%	16,348,961	10%
Financial Institutions & their Guarantees /Corporations		38,317,002	23%	81,744,807	50%	43,427,805	27%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	33,753,413	21%	81,744,807	50%	47,991,394	29%
Bank of Montreal (R-1 High)	Open	6,271,340	4%	16,348,961	10%	10,077,621	6%
Bank of Nova Scotia (R-1 High)	Open	0	9%	16,348,961	10%	2,069,784	1%
Bank of Nova Scotia Effective Cash		1,135,332					
Bank of Nova Scotia - Notice Account		13,143,846					
Canadian Imperial Bank of Commerce (R-1 High)	Open	7,982,680	5%	16,348,961	10%	8,366,281	5%
Royal Bank (R-1 High)	Open	5,220,215	3%	16,348,961	10%	11,128,746	7%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	0	0%	16,348,961	10%	16,348,961	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	4,563,589	3%	40,872,404	25%	36,308,815	22%
National Bank of Canada (R-1 Mid)	Open	3,423,320	2%	8,174,481	5%	4,751,160	3%
OMERS Realty Corporation (R-1 High)	Open	0	0%	8,174,481	5%	8,174,481	5%
CDP Financial Inc (R-1 High)	Open	0	0%	8,174,481	5%	8,174,481	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	8,174,481	5%	8,174,481	5%
Desjardins Total		1,140,269	1%	8,174,481	5%	7,034,212	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,140,269					
Total Cash and Equivalents		131,944,740	81%				
FIXED (Bonds, etc. over one year)							
Federal Government		3,983,724	3%	163,489,614	100%	159,505,890	98%
Money Market		0					
Bond Pool		3,983,724					
Provincial Government & their Guarantees		27,561,150	17%	81,744,807	50%	54,183,657	33%
Money Market		15,433,559	17%	81,744,807	50%	54,183,657	33%
Alberta		4,572,504	9%	16,348,961	10%	1,872,115	1%
Alberta		1,138,726					
Alberta Capital Finance Authority		3,433,778					
Alberta Treasury Branches		0					
British Columbia		0	1%	16,348,961	10%	14,125,712	9%
Manitoba		0	0%	16,348,961	10%	16,348,961	10%
New Brunswick		0	0%	16,348,961	10%	16,348,961	10%
Ontario		0	0%	16,348,961	10%	16,348,961	10%
Quebec		10,861,055	7%	16,348,961	10%	5,487,906	3%
Quebec		10,861,055					
Financement Quebec		0					
Saskatchewan		0	0%	16,348,961	10%	16,348,961	10%
Bond Pool		12,127,591	17%	81,744,807	50%	54,183,657	33%
Alberta		9,904,342	9%	16,348,961	10%	1,872,115	1%
Alberta		7,789,459					
Alberta Capital Finance Authority		2,114,883					
Alberta Treasury Branches		0					
British Columbia		2,223,249	1%	16,348,961	10%	14,125,712	9%
Manitoba		0	0%	16,348,961	10%	16,348,961	10%
New Brunswick		0	0%	16,348,961	10%	16,348,961	10%
Ontario		0	0%	16,348,961	10%	16,348,961	10%
Quebec		0	7%	16,348,961	10%	5,487,906	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	16,348,961	10%	16,348,961	10%
Total Fixed		31,544,874	19%	163,489,614	100%	131,944,740	81%
Total Investments		163,489,614					

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

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	25,800	1%	3,369,474	100%	3,343,674	99%
Federal Government	Open	25,800	1%				
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	2,110,716	63%	3,369,474	100%	1,258,758	37%
Total Alberta (R-1 High)	Open	0	2%	842,369	25%	738,027	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	774,571	24%	842,369	25%	67,797	2%
Manitoba (R-1 Mid)	Open	0	0%	842,369	25%	842,369	25%
New Brunswick (R-1 Mid)	Open	31,317	1%	842,369	25%	811,051	24%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			842,369	25%	842,369	25%
Ontario (R-1 Mid)	Open	892,116	30%	842,369	25%	-49,748	-1%
Quebec (R-1 Mid)	Open	412,712	12%	842,369	25%	181,815	5%
Saskatchewan (R-1 High)	Open	0	0%	842,369	25%	842,369	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		842,369	25%	842,369	25%
Calgary (R-1 High)	Open			336,947	10%	336,947	10%
Edmonton (R-1 High)	Open	0		336,947	10%	336,947	10%
Financial Institutions & their Guarantees /Corporations		874,366	26%	1,684,737	50%	810,371	24%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	Canadian Banks R-1 Mid	770,228	23%	1,684,737	50%	914,509	27%
Bank of Montreal (R-1 High)	Open	143,107	4%	336,947	10%	193,840	6%
Bank of Nova Scotia (R-1 High)	Open	0	10%	336,947	10%	11,107	0%
Bank of Nova Scotia Effective Cash		25,907					
Bank of Nova Scotia - Notice Account		299,933					
Canadian Imperial Bank of Commerce (R-1 High)	Open	182,159	5%	336,947	10%	154,789	5%
Royal Bank (R-1 High)	Open	119,121	4%	336,947	10%	217,826	6%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	0	0%	336,947	10%	336,947	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	104,138	3%	842,369	25%	738,231	22%
National Bank of Canada (R-1 Mid)	Open	78,118	2%	168,474	5%	90,356	3%
OMERS Realty Corporation (R-1 High)	Open	0	0%	168,474	5%	168,474	5%
CDP Financial Inc (R-1 High)	Open	0	0%	168,474	5%	168,474	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	168,474	5%	168,474	5%
Desjardins Total		26,020	1%	168,474	5%	142,454	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	26,020					
Total Cash and Equivalents		3,010,882	89%				
FIXED (Bonds, etc. over one year)							
Federal Government		0	0%	3,369,474	100%	3,369,474	100%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		352,182	10%	3,369,474	100%	3,017,292	90%
Money Market		352,182	100%	3,369,474	100%	3,017,292	90%
Alberta		104,341	3%	336,947	10%	232,606	7%
Alberta		25,985					
Alberta Capital Finance Authority		78,356					
Alberta Treasury Branches							
British Columbia		0	0%	336,947	10%	336,947	10%
Manitoba		0	0%	336,947	10%	336,947	10%
New Brunswick		0	0%	336,947	10%	336,947	10%
Ontario		0	0%	336,947	10%	336,947	10%
Quebec		247,841	7%	336,947	10%	89,106	3%
Quebec		247,841					
Financement Quebec		0					
Saskatchewan		0	0%	336,947	10%	336,947	10%
Bond Pool		0	10%	3,369,474	100%	3,017,292	90%
Alberta		0	3%	336,947	10%	232,606	7%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	336,947	10%	336,947	10%
Manitoba		0	0%	336,947	10%	336,947	10%
New Brunswick		0	0%	336,947	10%	336,947	10%
Ontario		0	0%	336,947	10%	336,947	10%
Quebec		0	7%	336,947	10%	89,106	3%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	336,947	10%	336,947	10%
Total Fixed		352,182					
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		3,369,474					

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Jul 7.2%, Aug 7.1%, Sep 6.9%	Jul 7.4%, Aug 7.3%, Sep 7.2%
Jobs Created / (Lost) (‘000's)	Jul (39), Aug 59, Sep 12	Jul 89, Aug 238, Sep 163
CPI (year over year)	Jul 1.3%, Aug 1.1%, Sep 1.1%	Jul 2.0%, Aug 1.5%, Sep 1.2%
CPI-X (Core) (year over year)	Jul 1.4%, Aug 1.3%, Sep 1.3%	Jul 1.7%, Aug 1.8%, Sep 1.7%
GDP	TBA	Q3 A 2.8%

Central Bank Activities

- July 17th Bank of Canada Maintains overnight rate at 1.0%
- July 31st U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- September 04 Bank of Canada Maintains overnight rate at 1.0%
- September 18th 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

The Province of Nova Scotia

Municipal Governments & Their Guarantees:

The Municipality of Calgary & 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.