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**Audit and Finance Standing Committee**  
**March 21, 2012**

**TO:** Councillor Russell Walker, Chair, and Members of the Audit and Finance Standing Committee

A handwritten signature in black ink, appearing to be "G. Keefe", written over a horizontal line.

**SUBMITTED BY:** \_\_\_\_\_  
Greg Keefe, Acting Director of Finance and Treasurer/CFO

**DATE:** March 1, 2012

**SUBJECT:** Investment Activities – Quarter Ending December 31, 2011  
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**RECOMMENDATION REPORT**

**ORIGIN**

Quarterly report of investment performance and adherence to approved Investment 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 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, 2011 has been reviewed by the Committee. A report from the Committee on staff's compliance with the objectives of the HRM Investment Policy has also been sent to the Audit and Finance Committee for the March 21 meeting.

## **DISCUSSION**

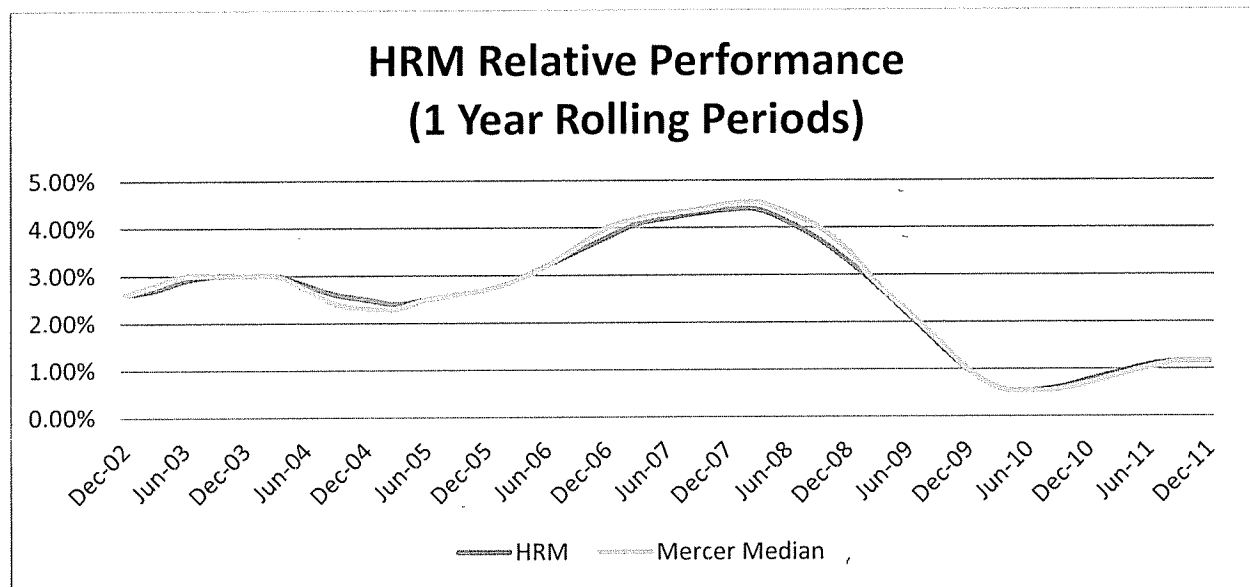
### **HRM Investment Activities**

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, 2011:

Money Market Funds	3 Months (to Dec. 31, 2011)	1 Year (to Dec. 31, 2011)
5 <sup>th</sup> Percentile	.35%	1.44%
1 <sup>st</sup> Quartile	.30%	1.24%
Mercer Median	.28%	1.18%
3 <sup>rd</sup> Quartile	.26%	1.08%
95 <sup>th</sup> Percentile	.22%	1.00%
Dec 91 Day T-Bills	.22%	1.00%
<b>HRM</b>	<b>.28%</b>	<b>1.16%</b>

Relative performance was Median for the Quarter but dropped slightly below Median for the one year period. These performance figures are before any allowance for fees that would have been paid for external management. The very high quality of investments was maintained.

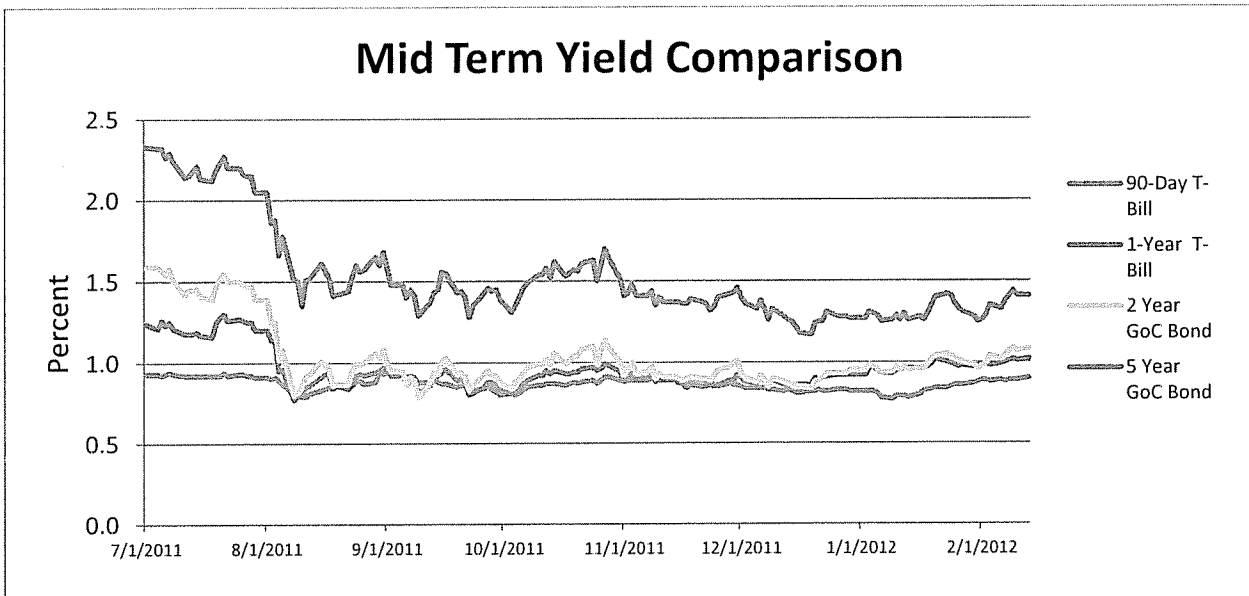
To add some longer term perspective the graph below summarizes relative performance going back to the inception of the Investment Policy. Again, these figures have not been adjusted for any fees that would have been paid for external management. The graph also serves to illustrate the current abnormally low level of interest rates.



The Quarter saw 80 money market investments made at a cost of \$298,000,000 with an average term to maturity of 117 days. This compares to last year's 3rd Quarter of 51 investments made at a cost of \$219,000,000 with an average term of 139 days. The increase in investment activity was due to better than expected cash flows as well as an emphasis on shorter term investments. The bank account continued to provide an attractive rate of interest relative to other short term Financial Institution instruments and was used extensively. Staff also purchased \$2,000,000 of Province of Alberta Floating Rate Notes maturing in 2016.

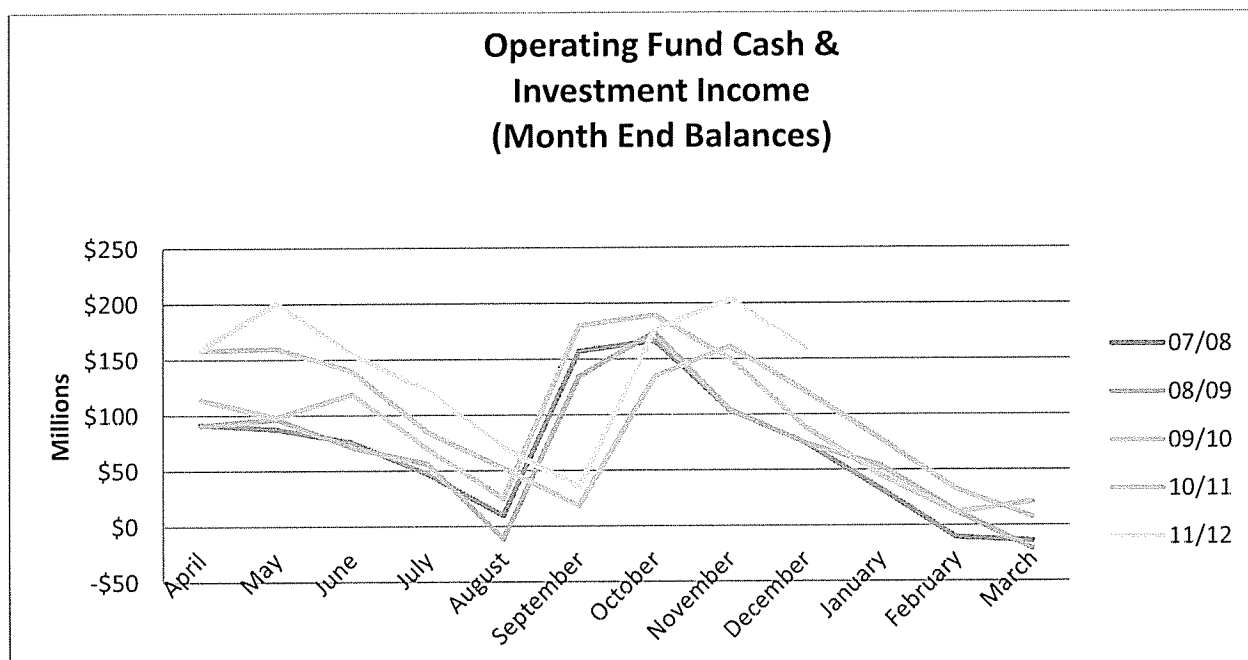
HRM Short Term Bond Pool

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 a key consideration. The graph below shows the dramatic plunge and compression in yields that occurred in the summer. This is all the more remarkable as yields were very low by historical standards even before this drop.



Cash Flows

Operating Fund cash flows continued on a positive trend with the lower level of bridge financing provided to the Capital Fund this year believed to be the most significant factor.



Subsequent to End of Reporting Quarter

The U.S. Federal Reserve provided some indication that their interest rate will be maintained at current ‘lower bound’ levels until possibly well into 2014. Further quantitative easing actions are also still a possibility. However, there was also a rare piece of relatively good news on the U.S. employment front with 243,000 jobs reported created in January on the heels of 203,000 and 157,000 reported in December and November respectively. Keeping in mind that an estimated 100,000 jobs a month are needed just to breakeven with population growth, this represents at least some modest progress in addressing the chronic unemployment situation.

Canada fared less well on the labour front with only 2,300 jobs reported created in January following a net loss of jobs in the previous quarter.

In Europe, another tentative agreement was reached on further financial assistance to Greece. The European Central Bank also recently completed a second Long Term Refinancing Operation (LTRO) that provided in excess of \$700 billion to Financial Institutions for 3 years at 1% interest. This is in addition to the LTRO conducted in December that provided in excess of \$500 billion.

Outlook & Strategy

While equity markets have taken some comfort from the relatively positive news on employment in the U.S. and corporate earnings, interest rate markets appear to continue to discount a more negative view with 10 year Government yields in both Canada and the U.S. at or below 2%.

With the 2% inflation target in Canada, and assuming continued success by the Bank of Canada in meeting this target, buyers of these bonds are willing to lock in at best a zero real rate of return for a 10 year period. Should the unprecedented conventional and unconventional measures taken by Central Banks around the world overshoot and create a prolonged period of high inflation, which coincidentally makes Government debt burdens easier, then these buyers could realize substantial losses. However should all efforts fail and a global recession or deflation occur than a 2% locked in yield will be quite attractive.

Given the high level of uncertainty around adopting any particular outlook, staff will continue the strategy of locking in rates in the one year term when yields are reasonable and matching maturities to shorter term cash requirements when longer yields are less attractive.

### **BUDGET IMPLICATIONS**

Operating Fund Investment Income for the nine months ending December 31, 2011 was \$1,191,500 versus a budget of \$1,183,000. This small positive variance was solely due to better than expected cash flows as the actual rate of return for the period was .87% versus a budgeted rate of 1.19%. It is now anticipated that the positive Operating Fund cash flow trends experienced will offset the disappointing interest rate environment resulting in the Operating Fund Investment Income budget for the year of \$1,435,000 being achieved.

### **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

### **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.

### **ALTERNATIVES**

N/A

### **ATTACHMENTS**

Sector Weight Schedules @ December 31, 2011 (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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## Sector Weights @ December 31, 2011

## SCHEDULE A

Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>17,809,510</b>	<b>6%</b>	<b>306,054,617</b>	<b>100%</b>	<b>284,266,311</b>	<b>93%</b>
Federal Government	Open	17,809,510	6%				
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%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>138,206,077</b>	<b>45%</b>	<b>306,054,617</b>	<b>100%</b>	<b>167,848,540</b>	<b>55%</b>
Total Alberta (R-1 High)	Open	0	3%	76,513,654	25%	67,460,414	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	38,174,554	12%	76,513,654	25%	38,339,100	13%
Manitoba (R-1 Mid)	Open	16,821,513	5%	76,513,654	25%	59,692,141	20%
New Brunswick (R-1 Mid)	Open	0	0%	76,513,654	25%	76,513,654	25%
Ontario (R-1 Mid)	Open	39,865,683	13%	76,513,654	25%	36,647,971	12%
Quebec (R-1 Mid)	Open	43,344,327	14%	76,513,654	25%	33,169,327	11%
Quebec		6,980,530					
Financement Quebec		23,857,120					
Hydro Quebec		12,506,677					
Saskatchewan (R-1 High)	Open	0	0%	76,513,654	25%	76,513,654	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>76,513,654</b>	<b>25%</b>	<b>76,513,654</b>	<b>25%</b>
Calgary (R-1 High)	Open	0		30,605,462	10%	30,605,462	10%
Edmonton (R-1 High)	Open	0		30,605,462	10%	30,605,462	10%
<b>Financial Institutions &amp; their Guarantees (Corporations</b>		<b>137,000,584</b>	<b>45%</b>	<b>153,027,309</b>	<b>50%</b>	<b>16,026,724</b>	<b>5%</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>106,498,996</b>	<b>35%</b>	<b>153,027,309</b>	<b>50%</b>	<b>46,528,312</b>	<b>15%</b>
Bank of Montreal (R-1 High)	Open	28,725,874	9%	30,605,462	10%	1,879,588	1%
Bank of Nova Scotia (R-1 High)	Open	20,852,493	7%	30,605,462	10%	9,752,969	3%
Canadian Imperial Bank of Commerce (R-1 High)	Open	26,648,468	9%	30,605,462	10%	3,956,994	1%
Royal Bank (R-1 High)	Open	0	5%	30,605,462	10%	16,295,901	5%
Royal Bank - Effective Cash		14,309,561					
Toronto Dominion (R-1 High)	Open	15,962,600	5%	30,605,462	10%	14,642,862	5%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>30,501,588</b>	<b>10%</b>	<b>76,513,654</b>	<b>25%</b>	<b>46,012,066</b>	<b>15%</b>
National Bank of Canada (R-1 Mid)	Open	13,991,286	5%	15,302,731	5%	1,311,445	0%
OMERS Realty Corporation (R-1 High)	Open	6,981,250	2%	15,302,731	5%	8,321,481	3%
CDP Financial Inc (R-1 High)	Open	0	0%	15,302,731	5%	15,302,731	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	2,993,640	1%	15,302,731	5%	12,309,091	4%
Desjardins Total		6,535,412	2%	15,302,731	5%	8,767,319	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	6,535,412					
<b>Total Cash and Equivalents</b>		<b>293,016,171</b>	<b>96%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
<b>Federal Government</b>		<b>3,978,796</b>	<b>1%</b>	<b>61,210,923</b>	<b>20%</b>	<b>57,232,127</b>	<b>19%</b>
Money Market		3,978,796					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		<b>9,053,240</b>	<b>3%</b>	<b>61,210,923</b>	<b>20%</b>	<b>52,157,683</b>	<b>17%</b>
<b>Money Market</b>		<b>8,013,656</b>	<b>3%</b>	<b>61,210,923</b>	<b>20%</b>	<b>52,157,683</b>	<b>17%</b>
Alberta		8,013,656	3%	30,605,462	10%	21,552,222	7%
Alberta		1,989,850					
Alberta Capital Finance Authority		6,023,806					
Alberta Treasury Branches		0	0%	30,605,462	10%	30,605,462	10%
British Columbia		0	0%	30,605,462	10%	30,605,462	10%
Manitoba		0	0%	30,605,462	10%	30,605,462	10%
New Brunswick		0	0%	30,605,462	10%	30,605,462	10%
Ontario		0	0%	30,605,462	10%	30,605,462	10%
Quebec		0	0%	30,605,462	10%	30,605,462	10%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	30,605,462	10%	30,605,462	10%
<b>Bond Pool</b>		<b>1,039,584</b>	<b>3%</b>	<b>61,210,923</b>	<b>20%</b>	<b>52,157,683</b>	<b>17%</b>
Alberta		1,039,584	3%	30,605,462	10%	21,552,222	7%
Alberta		1,039,584					
Alberta Capital Finance Authority		0	0%	30,605,462	10%	30,605,462	10%
Alberta Treasury Branches		0	0%	30,605,462	10%	30,605,462	10%
British Columbia		0	0%	30,605,462	10%	30,605,462	10%
Manitoba		0	0%	30,605,462	10%	30,605,462	10%
New Brunswick		0	0%	30,605,462	10%	30,605,462	10%
Ontario		0	0%	30,605,462	10%	30,605,462	10%
Quebec		0	0%	30,605,462	10%	30,605,462	10%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	30,605,462	10%	30,605,462	10%
<b>Total Fixed</b>		<b>13,032,036</b>	<b>4%</b>	<b>61,210,923</b>	<b>20%</b>	<b>48,178,887</b>	<b>16%</b>
<b>Equities</b>		<b>8,410</b>					
Bank of Montreal		8,410					
Total Equities		8,410					
<b>Total Investments</b>		<b>306,054,617</b>					
<b>Interest Bearing Bank Accounts - O/S Cheque Coverage</b>		<b>13,194,650</b>					
<b>Total Investments and O/S Cheques Coverage</b>		<b>319,249,267</b>					



Operating Funds  
Sector Weights  
Sector Weights @ December 31, 2011

SCHEDULE B

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
Federal Government & its Guarantees	Open	10,816,775	5%	182,833,323	100%	172,016,548	94%
Federal Government	Open	10,816,775	5%				
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	83,840,773	46%	182,833,323	100%	98,892,550	54%
Total Alberta (R-1 High)	Open	0	0%	45,708,331	25%	42,049,715	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	23,185,678	13%	45,708,331	25%	22,522,653	12%
Manitoba (R-1 Mid)	Open	10,216,706	6%	45,708,331	25%	35,491,625	19%
New Brunswick (R-1 Mid)	Open	0	0%	45,708,331	25%	45,708,331	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		45,708,331	25%	45,708,331	25%
Ontario (R-1 Mid)	Open	24,212,801	15%	45,708,331	25%	21,495,530	12%
Quebec (R-1 Mid)	Open	26,325,588	14%	45,708,331	25%	19,382,742	11%
Saskatchewan (R-1 High)	Open	0	0%	45,708,331	25%	45,708,331	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		45,708,331	25%	45,708,331	25%
Calgary (R-1 High)	Open	0		18,283,332	10%	18,283,332	10%
Edmonton (R-1 High)	Open	0		18,283,332	10%	18,283,332	10%
Financial Institutions & their Guarantees /Corporations		83,208,605	46%	91,416,661	50%	8,208,056	4%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
Tier 1 - Financial Institutions & their Guarantees	Mid	64,683,176	35%	91,416,661	50%	26,733,485	15%
Bank of Montreal (R-1 High)	Open	17,446,932	10%	18,283,332	10%	835,400	0%
Bank of Nova Scotia (R-1 High)	Open	12,664,960	7%	18,283,332	10%	5,618,373	3%
Canadian Imperial Bank of Commerce (R-1 High)	Open	16,185,200	9%	18,283,332	10%	2,089,132	1%
Royal Bank (R-1 High)	Open	0	5%	18,283,332	10%	9,592,285	5%
Royal Bank - Effective Cash		8,691,048					
Toronto Dominion (R-1 High)	Open	9,695,037	5%	18,283,332	10%	8,588,296	5%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High**	18,525,429	10%	45,708,331	25%	27,182,802	15%
National Bank of Canada (R-1 Mid)	Open	8,497,740	5%	9,141,666	5%	643,926	0%
OMERS Realty Corporation (R-1 High)	Open	4,240,128	2%	9,141,666	5%	4,901,538	3%
CDP Financial Inc (R-1 High)	Open	0	0%	9,141,666	5%	9,141,666	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	1,818,216	1%	9,141,666	5%	7,323,450	4%
Desjardins Total		3,969,345	2%	9,141,666	5%	5,172,322	3%
Desjardins Group (R-1 High)	Open	0					
Caisses Centales Desjardins (R-1 High)	Open	3,969,345					
<b>Total Investments</b>		<b>177,966,153</b>					<b>97%</b>
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		0	0%	36,566,665	20%	36,566,665	20%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		4,867,170	3%	36,566,665	20%	31,699,495	17%
Money Market		4,867,170	3%	36,566,665	20%	31,699,495	17%
Alberta		3,658,616	2%	18,283,332	10%	14,624,717	8%
Alberta							
Alberta Capital Finance Authority		3,658,616					
Alberta Treasury Branches							
British Columbia		0	0%	18,283,332	10%	18,283,332	10%
Manitoba		0	0%	18,283,332	10%	18,283,332	10%
New Brunswick		0	0%	18,283,332	10%	18,283,332	10%
Ontario		0	0%	18,283,332	10%	18,283,332	10%
Quebec		0	0%	18,283,332	10%	18,283,332	10%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	18,283,332	10%	18,283,332	10%
Bond Pool		0	3%	36,566,665	20%	31,699,495	17%
Alberta		0	2%	18,283,332	10%	14,624,717	8%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	18,283,332	10%	18,283,332	10%
Manitoba		0	0%	18,283,332	10%	18,283,332	10%
New Brunswick		0	0%	18,283,332	10%	18,283,332	10%
Ontario		0	0%	18,283,332	10%	18,283,332	10%
Quebec		0	0%	18,283,332	10%	18,283,332	10%
Quebec		0					
Financement Quebec		0					
Saskatchewan		0	0%	18,283,332	10%	18,283,332	10%
<b>Total Fixed</b>		<b>4,867,170</b>	<b>3%</b>	<b>36,566,665</b>	<b>20%</b>	<b>31,699,495</b>	<b>17%</b>
<b>Total Investments</b>		<b>182,833,323</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		13,194,650					
<b>Total Investments and O/S Cheques Coverage</b>		<b>196,027,973</b>					

SCHEDULE C

Capital Funds  
Sector Weights  
Sector Weights @ December 31, 2011

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	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%				
<b>Provincial Governments &amp; their Guarantees</b>	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%	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%
<b>Municipal Governments &amp; their Guarantees*</b>	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%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		0	0%	0	50%	0	0%
	<b>BA's Schedule A</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	Canadian Banks R-1 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%
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>	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						
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Investments</b>		<u>0</u>	<u>0%</u>				
<b>FIXED (Bonds, etc. over one year)</b>		0	0%	0	20%	0	0%
Federal Government		0					
Money Market		0					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		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	0%	0	10%	0	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	0%	0	10%	0	0%
Saskatchewan		0	0%	0	10%	0	0%
<b>Bond Pool</b>		0	0%	0	20%	0	0%
Alberta		0	0%	0	10%	0	0%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0	0%	0	10%	0	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	0%	0	10%	0	0%
Saskatchewan		0	0%	0	10%	0	0%
<b>Total Fixed</b>		<u>0</u>	<u>0%</u>	<u>0</u>	<u>20%</u>	<u>0</u>	<u>0%</u>
<b>Total Investments</b>		0					

SCHEDULE D

Reserve Funds  
Sector Weights  
Sector Weights @ December 31, 2011

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
Federal Government & its Guarantees	Open	6,794,245	6%	119,859,852	100%	109,086,811	91%
Federal Government	Open	6,794,245	6%				
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	52,724,972	44%	119,859,852	100%	67,134,879	56%
Total Alberta (R-1 High)	Open	0	2%	29,964,963	25%	25,868,207	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	14,563,414	13%	29,964,963	25%	15,401,549	13%
Manitoba (R-1 Mid)	Open	6,417,329	5%	29,964,963	25%	23,547,634	20%
New Brunswick (R-1 Mid)	Open	0	0%	29,964,963	25%	29,964,963	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		29,964,963	25%	29,964,963	25%
Ontario (R-1 Mid)	Open	15,208,572	15%	29,964,963	25%	14,756,391	12%
Quebec (R-1 Mid)	Open	16,535,658	14%	29,964,963	25%	13,429,305	11%
Saskatchewan (R-1 High)	Open	0	0%	29,964,963	25%	29,964,963	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		29,964,963	25%	29,964,963	25%
Calgary (R-1 High)	Open	0		11,985,985	10%	11,985,985	10%
Edmonton (R-1 High)	Open	0		11,985,985	10%	11,985,985	10%
Financial Institutions & their Guarantees /Corporations		52,265,082	44%	59,929,926	50%	7,664,844	6%
BA's Schedule A							
Canadian Banks R-1 Mid		40,628,869	34%	59,929,926	50%	19,301,057	16%
Bank of Montreal (R-1 High)	Open	10,958,787	9%	11,985,985	10%	1,027,199	1%
Bank of Nova Scotia (R-1 High)	Open	7,955,129	7%	11,985,985	10%	4,030,857	3%
Canadian Imperial Bank of Commerce (R-1 High)	Open	10,166,265	8%	11,985,985	10%	1,819,719	2%
Royal Bank (R-1 High)	Open	0	5%	11,985,985	10%	6,526,955	5%
Royal Bank - Effective Cash	Open	5,459,031					
Toronto Dominion (R-1 High)	Open	6,089,657	5%	11,985,985	10%	5,896,328	5%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	11,636,213	10%	29,964,963	25%	18,328,750	15%
National Bank of Canada (R-1 Mid)	Open	5,337,610	4%	5,992,993	5%	655,382	1%
OMERS Realty Corporation (R-1 High)	Open	2,663,314	2%	5,992,993	5%	3,329,678	3%
CDP Financial Inc (R-1 High)	Open	0	0%	5,992,993	5%	5,992,993	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	1,142,060	1%	5,992,993	5%	4,650,933	4%
Desjardins Total	Open	2,493,229	2%	5,992,993	5%	3,499,763	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centrale Desjardins (R-1 High)	Open	2,493,229					
<b>Total Cash and Equivalents</b>		<b>111,784,299</b>	<b>93%</b>				
<b>FIXED (Bonds, etc. over one year)</b>		<b>3,978,796</b>	<b>3%</b>	<b>119,859,852</b>	<b>100%</b>	<b>115,881,056</b>	<b>97%</b>
Federal Government		0					
Money Market		3,978,796					
Bond Pool							
Provincial Government & their Guarantees		4,096,756	3%	59,929,926	50%	55,833,169	47%
Money Market		3,057,172	3%	59,929,926	50%	55,833,169	47%
Alberta		3,057,172	3%	11,985,985	10%	7,889,229	7%
Alberta		759,118					
Alberta Capital Finance Authority		2,298,054					
Alberta Treasury Branches		0	0%	11,985,985	10%	11,985,985	10%
British Columbia		0	0%	11,985,985	10%	11,985,985	10%
Manitoba		0	0%	11,985,985	10%	11,985,985	10%
New Brunswick		0	0%	11,985,985	10%	11,985,985	10%
Ontario		0	0%	11,985,985	10%	11,985,985	10%
Quebec		0	0%	11,985,985	10%	11,985,985	10%
Quebec		0					
Financement Quebec		0	0%	11,985,985	10%	11,985,985	10%
Saskatchewan		0	0%	11,985,985	10%	11,985,985	10%
Bond Pool		1,039,584	3%	59,929,926	50%	55,833,169	47%
Alberta		1,039,584	3%	11,985,985	10%	7,889,229	7%
Alberta		0					
Alberta Capital Finance Authority		1,039,584					
Alberta Treasury Branches		0	0%	11,985,985	10%	11,985,985	10%
British Columbia		0	0%	11,985,985	10%	11,985,985	10%
Manitoba		0	0%	11,985,985	10%	11,985,985	10%
New Brunswick		0	0%	11,985,985	10%	11,985,985	10%
Ontario		0	0%	11,985,985	10%	11,985,985	10%
Quebec		0	0%	11,985,985	10%	11,985,985	10%
Quebec		0					
Financement Quebec		0	0%	11,985,985	10%	11,985,985	10%
Saskatchewan		0	0%	11,985,985	10%	11,985,985	10%
<b>Total Fixed</b>		<b>8,075,552</b>	<b>7%</b>	<b>119,859,852</b>	<b>100%</b>	<b>111,784,299</b>	<b>93%</b>
<b>Total Investments</b>		<b>119,859,852</b>					

SCHEDULE E

Trust Funds  
Sector Weights  
Sector Weights @ December 31, 2011

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
Federal Government & its Guarantees	Open	198,490	6%	3,361,443	100%	3,162,952	94%
Federal Government	Open	198,490	6%				
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	1,540,332	46%	3,361,443	100%	1,821,111	54%
Total Alberta (R-1 High)	Open	0	2%	840,361	25%	751,047	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	425,462	13%	840,361	25%	414,898	12%
Manitoba (R-1 Mid)	Open	187,479	6%	840,361	25%	652,882	19%
New Brunswick (R-1 Mid)	Open	0	0%	840,361	25%	840,361	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0	0%	840,361	25%	840,361	25%
Ontario (R-1 Mid)	Open	444,310	16%	840,361	25%	396,050	12%
Quebec (R-1 Mid)	Open	483,080	14%	840,361	25%	357,280	11%
Saskatchewan (R-1 High)	Open	0	0%	840,361	25%	840,361	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		840,361	25%	840,361	25%
Calgary (R-1 High)	Open			336,144	10%	336,144	10%
Edmonton (R-1 High)	Open			336,144	10%	336,144	10%
Financial Institutions & their Guarantees /Corporations		1,526,897	45%	1,680,721	50%	153,825	5%
BA's Schedule A							
Canadian Banks R-1	Mid	1,186,951	35%	1,680,721	50%	493,770	15%
Tier 1 - Financial Institutions & their Guarantees							
Bank of Montreal (R-1 High)	Open	320,155	10%	336,144	10%	15,989	0%
Bank of Nova Scotia (R-1 High)	Open	232,405	7%	336,144	10%	103,739	3%
Canadian Imperial Bank of Commerce (R-1 High)	Open	297,092	9%	336,144	10%	39,142	1%
Royal Bank (R-1 High)	Open	0	5%	336,144	10%	176,652	5%
Royal Bank - Effective Cash		159,483					
Toronto Dominion (R-1 High)	Open	177,906	5%	336,144	10%	158,238	5%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High**	339,946	10%	840,361	25%	500,415	15%
National Bank of Canada (R-1 Mid)	Open	165,935	5%	168,072	5%	12,137	0%
OMERS Realty Corporation (R-1 High)	Open	77,807	2%	168,072	5%	90,265	3%
CDP Financial Inc (R-1 High)	Open	0	0%	168,072	5%	168,072	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	33,355	1%	168,072	5%	134,707	4%
Desjardins Total		72,838	2%	168,072	5%	95,234	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centrale Desjardins (R-1 High)	Open	72,838					
<b>Total Cash and Equivalents</b>		<b>3,265,719</b>					<b>97%</b>
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		0	0%	3,361,443	100%	3,361,443	100%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		89,314	3%	3,361,443	100%	3,272,129	97%
Money Market		89,314	100%	3,361,443	100%	3,272,129	97%
Alberta		89,314	3%	336,144	10%	246,831	7%
Alberta		22,177					
Alberta Capital Finance Authority		67,136					
Alberta Treasury Branches		0	0%	336,144	10%	336,144	10%
British Columbia		0	0%	336,144	10%	336,144	10%
Manitoba		0	0%	336,144	10%	336,144	10%
New Brunswick		0	0%	336,144	10%	336,144	10%
Ontario		0	0%	336,144	10%	336,144	10%
Quebec		0	0%	336,144	10%	336,144	10%
Quebec		0					
Financement Quebec		0	0%	336,144	10%	336,144	10%
Saskatchewan		0	0%	336,144	10%	336,144	10%
Bond Pool		0	3%	3,361,443	100%	3,272,129	97%
Alberta		0	3%	336,144	10%	246,831	7%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0	0%	336,144	10%	336,144	10%
British Columbia		0	0%	336,144	10%	336,144	10%
Manitoba		0	0%	336,144	10%	336,144	10%
New Brunswick		0	0%	336,144	10%	336,144	10%
Ontario		0	0%	336,144	10%	336,144	10%
Quebec		0	0%	336,144	10%	336,144	10%
Quebec		0					
Financement Quebec		0	0%	336,144	10%	336,144	10%
Saskatchewan		0	0%	336,144	10%	336,144	10%
<b>Total Fixed</b>		<b>89,314</b>					
Equities		6,410					
Bank of Montreal		6,410					
Total Equities		6,410					
<b>Total Investments</b>		<b>3,361,443</b>					

**Appendix A**

Economic Statistics

	Canada	US
Unemployment Rate	Oct 7.4% Nov 7.5%, Dec 7.5%	Oct 9.0% Nov 8.7%, Dec 8.5%
Jobs Created / (Lost) ('000's)	Oct -52.7, Nov -5.5, Dec 21.7	Oct 80, Nov 157, Dec 203
CPI (year over year)	Oct 2.9% Nov 2.9%, Dec 2.3%	Oct 3.5% Nov 3.4%, Dec 3.0%
CPI-X (Core) (year over year)	Oct 2.1% Nov 2.1%, Dec 1.9%	Oct 2.1% Nov 2.2%, Dec 2.2%
Q3 GDP	N/A	2.8%A

Central Bank Activities

- October 25 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 6 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.