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Halifax Regional Council  
April 20, 2004

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

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

Derek Tynski  
Derek Tynski, Investment Analyst

**DATE:** April 5, 2004

**SUBJECT:** Investment Activities - Quarter Ending December 31, 2003

### INFORMATION REPORT

#### ORIGIN

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

## 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, 2003 has been reviewed by the Committee.

## DISCUSSION

### Economic and Investment Climate

Economic Statistics:

	Canada	US
Unemployment Rate	Oct 7.6% Nov 7.5%, Dec 7.4%	Oct 6.0%, Nov 5.9%, Dec 5.7%
CPI (year over year)	Oct 1.6%, Nov 1.6%, Dec 2.0%	Oct 2.0%, Nov 1.8%, Dec 1.9%
CPI-X (Core) (year over year)	Oct 1.8%, Nov 1.8%, Dec 2.2%	Oct 1.3%, Nov 1.1%, Dec 1.1%
Q4 GDP (Ending Dec 31)	3.8%	4.1%

The Canadian economy produced solid gains in employment during the Quarter creating some 172,000 jobs. The monthly gains were all above consensus estimates. Inflation in Canada was also well behaved, too well behaved for the Bank of Canada as will be discussed below. The December inflation figures are distorted due to the base effects of the previous year's December electricity rebates in Ontario. Canadian GDP posted an above consensus gain of 3.8% for the Quarter. However, many economists suggested that the details of the report were actually weaker than what the headline would suggest.

While the Bank of Canada passed on opportunities to change its target rate at the October 15 and December 2 meetings, they cut rates by 25 bps at the January 20, 2004 date. More significantly they followed up with a Monetary Policy Report on January 22 where they lowered their growth projection for the Canadian economy for 2004 from 3.25% to 2.75% and moved out the projected date for core inflation to return to the 2% target to the end of 2005. It appears that they are throwing in the towel in the tug of war between the higher Canadian dollar versus the potential for stronger demand for Canadian exports to pull the economy along. The Bank of Canada also cut rates by 25 bps at their March 2, 2004 meeting and the market is anticipating an additional 25bps cut at the April 13 meeting.

In the US, non-farm payrolls grew by only 144,000 in the Quarter including the December shocking result of only 1,000 jobs created versus an expected 150,000. The drop in the unemployment rate was a statistical anomaly. These numbers leave the current Administration well on its way to becoming the first since the Hoover Administration to preside over a US economy that lost jobs during its term. Inflation levels were also low enough to keep the attention of a Federal Reserve concerned about deflation. The first measure of US GDP for the Quarter was a solid 4% however this was below expectations of a 5% gain.

The US Federal Reserve held interest rates steady at their January 28 meeting but dropped the phrase "considerable period" when describing how long they could hold rates at a 45 year low. They substituted a phrase saying that they could be patient. The markets reacted strongly to this seeing it as a hint that rates will be going up sooner rather than later. Of course, opinions are divided as to whether this is just a clean up of the wording or a real signal of change, with opinions generally reflecting previous forecasts. At the March 16 the US Federal Reserve again held rates steady and changed their statement slightly which has been generally interpreted as implying more patience before any increase in rates would be contemplated.

Europe can now claim its own mega accounting scandal as the Parmalat affair unfolds. It has the appearance of a magic act where some \$5 billion of cash assets disappear while \$15.6 billion in debt suddenly materializes. The later figure is some seven times greater than what the company had been reporting. However, the financial markets seem to be taking this in stride and no Canadian banks have reported any material exposure.

### **HRM Investment Activities & Strategy**

There were 61 investments made during the Quarter totaling in excess of \$176,000,000. The majority of investments were made to match to future cash requirements as the emphasis in the previous quarter had been to lock in available yield. The average term of investments made during the Quarter ending December 31 was 107 days compared to an average term of 156 days in the previous quarter. The strategy of emphasizing locking in yield in the July to September Quarter with longer term investments proved beneficial as rates were generally lower in the October to December Quarter.

The Sector Weight Schedules (Schedules A through E) are attached.

The maximum term of investments continued to be one year. Opportunities for longer term investments for some of the Reserve Funds have not as yet been identified.

Staff have reviewed the current approach of operating an in-house investment program for short term investments as compared to using an external Pooled Fund. It is the belief of staff that an in-house program is more beneficial. An in-house program requires that each investment held must be individually approved by HRM staff. This allows staff absolute control over the quality and risk profile of all investments. Investments can be tailored to HRM's cash inflows and outflows which avoids some of the trading costs incurred by Pooled Funds when investments must be sold to meet client cash needs.

**Investment Activities**  
**Quarter Ending December 31, 2003**  
**Council Report**

An in-house program is also cost effective. Staff have been advised that the average investment management fee for Money Market Pooled funds covered by the Mercer Survey of Institutional Pooled Funds is 27 bps. Applying this rate to investments held for the year ending December 31, 2003 would have resulted in fees paid in excess of \$500,000. Experience to date does not indicate that there would be an offsetting incremental gain in investment income to HRM.

**Policy Compliance**

Adherence to Legal Requirements - There were no legal issues identified during the Quarter with respect to investments.

Preservation of Capital - All investments were held to maturity and there was no loss of capital during the Quarter.

Liquidity - No overdraft interest charges were incurred and sufficient cash was available to meet all requirements.

The “funded ratio” of the Reserve Funds remained at 100% during the Quarter.

Diversification of Investment Portfolio - Staff maintain that the Diversification Objective of managing risk and return has been achieved.

Competitive Return on Investment - The most recent projection of investment income for the year ending March 31, 2004 is \$6,685,000 compared to a budget of \$4,170,000 for a positive variance of \$2,515,000. As previously reported the primary reason for this variance is higher than anticipated cash balances, particularly for Reserves.

Mercer Investment Consulting performance data on Institutional Pooled Funds for the period ending December 31, 2003 is summarized below along with HRM investment performance:

Money Market Funds	3 Months (%) (to Dec 31, 2003)	1 Year (%) (to Dec 31, 2003)
5 <sup>th</sup> Percentile	0.8%	3.2%
1 <sup>st</sup> Quartile	0.7%	3.1%
Mercer Median	0.7% <b>HRM .72%</b>	3.0% <b>HRM 3.01%</b>
3 <sup>rd</sup> Quartile	0.7%	3.0%
95 <sup>th</sup> Percentile	0.6%	2.7%
SC 91 Day T-Bills	0.6%	2.9%

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

### **Outlook**

Staff were surprised at the tone of the Bank of Canada's Monetary Policy Report which seemed to foresee a much bleaker economic future than the economic data and financial markets indicated. Our view was that rates could be held and that although the recent movement of the Canadian dollar has been painful for exporters, it also afforded an opportunity for Canadian firms to use those cheaper U.S. dollars to invest in technology that would enhance productivity. However, the Canadian economic data released after the Monetary Policy report seems to confirm the Bank of Canada's view.

Shifting to this new reality, we see many Provincial budgets in deficit and a Federal Government extolling the virtues of its balanced budget. There appears to be little potential for additional fiscal stimulus from these levels of government. This leaves the Bank of Canada on its own. It has responded by stating its intention to support domestic demand through monetary policy. The Bank of Canada has already delivered on rate cuts in January and March of 2004 of 25 bps each. The inflation outlook continues to look benign and the market continues to price in at least one further rate cut. However, as the market action around the small change in statement by the US Federal Reserve January showed, which sent Canadian 1 year T-Bill rates temporarily up by some 11 bps, there will be volatility and market sentiment can change quickly.

There are no major inflows of cash to HRM until April so we will be using most available cash from maturities to lock in yield in the 9 to 12 month terms to guard against the potential of future rate cuts. Placing of investments to match to upcoming cash requirements will be emphasized in late March and throughout April.

An Investment Income budget for the 2004/05 fiscal year has been submitted which is based on an average interest rate of 2.75%. While this was done prior to the January Bank of Canada rate cut and dovish statement, we have not altered this budget in recognition of the variability of cash flows, the rates of return on existing investments that will mature during the 2004/05 fiscal year and the potential for the sentiment on interest rates to change over the next year.

### **BUDGET IMPLICATIONS**

N/A

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

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

**ALTERNATIVES**

N/A

**ATTACHMENTS**

Sector Weight Schedules @ December 31, 2003 (Schedules A, B, C, D & E)

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Derek Tynski, BA, CMA, Investment Analyst

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

**Total Investments  
Sector Weights  
@ December 31, 2003**

Schedule A

<u>Category Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$159,990,901</b>	<b>69%</b>	<b>\$231,942,295</b>	<b>100%</b>	<b>\$71,951,394</b>	<b>31%</b>
Federal Government	Open	\$124,370,981	54%				
Business Development Bank	Open	\$5,866,920	3%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$24,785,550	11%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$4,967,450	2%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$27,406,343</b>	<b>12%</b>	<b>\$231,942,295</b>	<b>100%</b>	<b>\$204,535,952</b>	<b>88%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$57,985,574	25%	\$57,985,574	25%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open						
British Columbia (R-1 Mid)	Open			\$57,985,574	25%	\$57,985,574	25%
Manitoba (R-1 Low)	Closed			\$57,985,574	25%	\$57,985,574	
New Brunswick (R-1 Low)	Closed			\$57,985,574	25%	\$57,985,574	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$57,985,574	25%	\$57,985,574	
Nova Scotia (R-1 Low)	Closed			\$57,985,574	25%	\$57,985,574	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$57,985,574	25%	\$57,985,574	
Ontario (R-1 Mid)	Open	\$27,406,343	12%	\$57,985,574	25%	\$30,579,231	13%
Prince Edward Island (R-1 Low)	Closed			\$57,985,574	25%	\$57,985,574	
Quebec (R-1 Low)	Closed			\$57,985,574	25%	\$57,985,574	
Saskatchewan (R-1 Low)	Closed			\$57,985,574	25%	\$57,985,574	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$57,985,574</b>	<b>25%</b>	<b>\$57,985,574</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$23,194,230	10%	\$23,194,230	10%
Edmonton (R-1 High)	Open			\$23,194,230	10%	\$23,194,230	10%
Winnipeg (R-1 Mid)	Open			\$23,194,230	10%	\$23,194,230	10%
<b>BA's Schedule A</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$44,545,051</b>	<b>19%</b>	<b>\$57,985,574</b>	<b>25%</b>	<b>\$13,440,523</b>	<b>6%</b>
Bank of Montreal (R-1 Mid)	Open	\$3,983,800	2%	\$23,194,230	10%	\$19,210,430	8%
Bank of Nova Scotia (R-1 Mid)	Open	\$6,952,250	3%	\$23,194,230	10%	\$16,241,980	7%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$17,735,970	8%	\$23,194,230	10%	\$5,458,260	2%
Laurentian Bank (R-1 Low)	Closed			\$23,194,230	10%	\$23,194,230	
National Bank of Canada (R-1 Low)	Closed			\$23,194,230	10%	\$23,194,230	
Royal Bank (R-1 Mid)	Open	\$0	6%	\$23,194,230	10%	\$10,316,458	4%
Royal Bank 1 Day BA		\$12,877,771					
Toronto Dominion (R-1 Mid)	Open	\$2,995,260	1%	\$23,194,230	10%	\$20,198,970	9%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>		<b>\$231,942,295</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
<b>Federal Government &amp; its Guarantees</b>		<b>\$54,175</b>					
Federal Government		\$54,175					
<b>TOTAL FIXED</b>		<b>\$54,175</b>					
<b>EQUITIES</b>							
<b>Bank of Montreal</b>		<b>\$6,410</b>					
<b>TOTAL EQUITIES</b>		<b>\$6,410</b>					
<b>TOTAL INVESTMENTS</b>		<b>\$232,002,880</b>					
<b>Interest Bearing Bank Accounts - O/S Cheque Coverage</b>		<b>\$13,008,151</b>	<b>*</b>				
<b>TOTAL INVESTMENTS &amp; O/S Cheques Coverage</b>		<b>\$245,011,031</b>					

**Operating Fund  
Sector Weights  
@ December 31, 2003**

**Schedule B**

<u>Category</u>	<u>Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$57,874,899</b>	<b>69%</b>	<b>\$83,902,502</b>	<b>100%</b>	<b>\$26,027,604</b>	<b>31%</b>
Federal Government	Open	\$44,989,795	54%				
Business Development Bank	Open	\$2,122,292	3%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$8,965,892	11%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$1,796,919	1%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$9,913,935</b>	<b>12%</b>	<b>\$83,902,502</b>	<b>100%</b>	<b>\$73,988,568</b>	<b>88%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$20,975,626	25%	\$20,975,626	25%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open						
British Columbia (R-1 Mid)	Open			\$20,975,626	25%	\$20,975,626	25%
Manitoba (R-1 Low)	Closed			\$20,975,626	25%	\$20,975,626	
New Brunswick (R-1 Low)	Closed			\$20,975,626	25%	\$20,975,626	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$20,975,626	25%	\$20,975,626	
Nova Scotia (R-1 Low)	Closed			\$20,975,626	25%	\$20,975,626	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$20,975,626	25%	\$20,975,626	
Ontario (R-1 Mid)	Open	\$9,913,935	12%	\$20,975,626	25%	\$11,061,691	13%
Prince Edward Island (R-1 Low)	Closed			\$20,975,626	25%	\$20,975,626	
Quebec (R-1 Low)	Closed			\$20,975,626	25%	\$20,975,626	
Saskatchewan (R-1 Low)	Closed			\$20,975,626	25%	\$20,975,626	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$20,975,626</b>	<b>25%</b>	<b>\$20,975,626</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$8,390,250	10%	\$8,390,250	10%
Edmonton (R-1 High)	Open			\$8,390,250	10%	\$8,390,250	10%
Winnipeg (R-1 Mid)	Open			\$8,390,250	10%	\$8,390,250	10%
<b>BA's Schedule A</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Canadian Banks R-1 Mid</b>	<b>\$16,113,668</b>	<b>19%</b>	<b>\$20,975,626</b>	<b>25%</b>	<b>\$4,861,957</b>	<b>6%</b>
Bank of Montreal (R-1 Mid)	Open	\$1,441,095	2%	\$8,390,250	10%	\$6,949,156	8%
Bank of Nova Scotia (R-1 Mid)	Open	\$2,514,898	3%	\$8,390,250	10%	\$5,875,352	7%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$6,415,787	8%	\$8,390,250	10%	\$1,974,464	2%
Laurentian Bank (R-1 Low)	Closed			\$8,390,250	10%	\$8,390,250	
National Bank of Canada (R-1 Low)	Closed			\$8,390,250	10%	\$8,390,250	
Royal Bank (R-1 Mid)	Open	\$0	6%	\$8,390,250	10%	\$3,731,862	4%
Royal Bank 1 Day BA		\$4,658,388					
Toronto Dominion (R-1 Mid)	Open	\$1,083,501	1%	\$8,390,250	10%	\$7,306,749	9%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Total Investments</b>		<b>\$83,902,502</b>	<b>100%</b>				
<b>Interest Bearing Bank Accounts - O/S Cheque Coverage</b>		<b>\$13,008,151</b>	<b>*</b>				
<b>Total Cash and Investments</b>		<b>\$96,910,652</b>					



**Capital Fund  
Sector Weights  
@ December 31, 2003**

**Schedule C**

<u>Category</u>	<u>Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>100%</b>	<b>\$0</b>	<b>0%</b>
Federal Government	Open	\$0	0%				
Business Development Bank	Open	\$0	0%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>100%</b>	<b>\$0</b>	<b>0%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$0	25%	\$0	0%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0					
British Columbia (R-1 Mid)	Open			\$0	25%	\$0	0%
Manitoba (R-1 Low)	Closed			\$0	25%	\$0	
New Brunswick (R-1 Low)	Closed			\$0	25%	\$0	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$0	25%	\$0	
Nova Scotia (R-1 Low)	Closed			\$0	25%	\$0	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$0	25%	\$0	
Ontario (R-1 Mid)	Open	\$0	0%	\$0	25%	\$0	0%
Prince Edward Island (R-1 Low)	Closed			\$0	25%	\$0	
Quebec (R-1 Low)	Closed			\$0	25%	\$0	
Saskatchewan (R-1 Low)	Closed			\$0	25%	\$0	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$0</b>	<b>25%</b>	<b>\$0</b>	<b>0%</b>
Calgary (R-1 Mid)	Open			\$0	10%	\$0	0%
Edmonton (R-1 High)	Open			\$0	10%	\$0	0%
Winnipeg (R-1 Mid)	Open			\$0	10%	\$0	0%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>25%</b>	<b>\$0</b>	<b>0%</b>
Bank of Montreal (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Bank of Nova Scotia (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Laurentian Bank (R-1 Low)	Closed			\$0	10%	\$0	
National Bank of Canada (R-1 Low)	Closed			\$0	10%	\$0	
Royal Bank (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Royal Bank 1 Day BA		\$0	}				
Toronto Dominion (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Total Investments</b>		<b>\$0</b>	<b>0%</b>				

**Reserve Funds  
Sector Weights  
@ December 31, 2003**

Schedule D

<u>Category Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$100,198,145</b>	<b>69%</b>	<b>\$145,259,434</b>	<b>100%</b>	<b>\$45,061,289</b>	<b>31%</b>
Federal Government	Open	\$77,890,315	54%				
Business Development Bank	Open	\$3,674,300	3%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$15,522,546	11%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$3,110,985	2%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$17,163,881</b>	<b>12%</b>	<b>\$145,259,434</b>	<b>100%</b>	<b>\$128,095,554</b>	<b>88%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$36,314,859	25%	\$36,314,859	25%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open						
British Columbia (R-1 Mid)	Open			\$36,314,859	25%	\$36,314,859	25%
Manitoba (R-1 Low)	Closed			\$36,314,859	25%	\$36,314,859	
New Brunswick (R-1 Low)	Closed			\$36,314,859	25%	\$36,314,859	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$36,314,859	25%	\$36,314,859	
Nova Scotia (R-1 Low)	Closed			\$36,314,859	25%	\$36,314,859	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$36,314,859	25%	\$36,314,859	
Ontario (R-1 Mid)	Open	\$17,163,881	12%	\$36,314,859	25%	\$19,150,978	13%
Prince Edward Island (R-1 Low)	Closed			\$36,314,859	25%	\$36,314,859	
Quebec (R-1 Low)	Closed			\$36,314,859	25%	\$36,314,859	
Saskatchewan (R-1 Low)	Closed			\$36,314,859	25%	\$36,314,859	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$36,314,859</b>	<b>25%</b>	<b>\$36,314,859</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$14,525,943	10%	\$14,525,943	10%
Edmonton (R-1 High)	Open			\$14,525,943	10%	\$14,525,943	10%
Winnipeg (R-1 Mid)	Open			\$14,525,943	10%	\$14,525,943	10%
<b>BA's Schedule A Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$27,897,408</b>	<b>19%</b>	<b>\$36,314,859</b>	<b>25%</b>	<b>\$8,417,450</b>	<b>6%</b>
Bank of Montreal (R-1 Mid)	Open	\$2,494,950	2%	\$14,525,943	10%	\$12,030,993	8%
Bank of Nova Scotia (R-1 Mid)	Open	\$4,354,014	3%	\$14,525,943	10%	\$10,171,930	7%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$11,107,577	8%	\$14,525,943	10%	\$3,418,366	2%
Laurentian Bank (R-1 Low)	Closed			\$14,525,943	10%	\$14,525,943	
National Bank of Canada (R-1 Low)	Closed			\$14,525,943	10%	\$14,525,943	
Royal Bank (R-1 Mid)	Open	\$0 }	6%	\$14,525,943	10%	\$6,460,930	4%
Royal Bank 1 Day BA		\$8,065,013 }					
Toronto Dominion (R-1 Mid)	Open	\$1,875,854	1%	\$14,525,943	10%	\$12,650,090	9%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Total Investments</b>		<b>\$145,259,434</b>	<b>100%</b>				

**Trust Funds  
Sector Weights  
@ December 31, 2003**

Schedule E

Category Status	<u>Cumulative Amount Invested @ Book Value</u>	%	<u>Guideline Limit</u>	%	<u>Limit Available</u>	%	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$1,917,857</b>	<b>68%</b>	<b>\$2,840,944</b>	<b>100%</b>	<b>\$923,087</b>	<b>32%</b>
Federal Government	Open	\$1,490,871	52%				
Business Development Bank	Open	\$70,328	2%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$297,112	10%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$59,546	2%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$328,528</b>	<b>12%</b>	<b>\$2,840,944</b>	<b>100%</b>	<b>\$2,512,416</b>	<b>88%</b>
Total Alberta (R-1 High)	Open	\$0	0%	\$710,236	25%	\$710,236	25%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open						
British Columbia (R-1 Mid)	Open			\$710,236	25%	\$710,236	25%
Manitoba (R-1 Low)	Closed			\$710,236	25%	\$710,236	
New Brunswick (R-1 Low)	Closed			\$710,236	25%	\$710,236	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$710,236	25%	\$710,236	
Nova Scotia (R-1 Low)	Closed			\$710,236	25%	\$710,236	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$710,236	25%	\$710,236	
Ontario (R-1 Mid)	Open	\$328,528	12%	\$710,236	25%	\$381,708	13%
Prince Edward Island (R-1 Low)	Closed			\$710,236	25%	\$710,236	
Quebec (R-1 Low)	Closed			\$710,236	25%	\$710,236	
Saskatchewan (R-1 Low)	Closed			\$710,236	25%	\$710,236	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>	<b>0%</b>	<b>\$710,236</b>	<b>25%</b>	<b>\$710,236</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$284,094	10%	\$284,094	0%
Edmonton (R-1 High)	Open			\$284,094	10%	\$284,094	0%
Winnipeg (R-1 Mid)	Open			\$284,094	10%	\$284,094	0%
<b>BA's Schedule A Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$533,974</b>	<b>19%</b>	<b>\$710,236</b>	<b>25%</b>	<b>\$176,262</b>	<b>6%</b>
Bank of Montreal (R-1 Mid)	Open	\$47,755	2%	\$284,094	10%	\$236,339	8%
Bank of Nova Scotia (R-1 Mid)	Open	\$83,339	3%	\$284,094	10%	\$200,756	7%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$212,606	7%	\$284,094	10%	\$71,488	3%
Laurentian Bank (R-1 Low)	Closed			\$284,094	10%	\$284,094	
National Bank of Canada (R-1 Low)	Closed			\$284,094	10%	\$284,094	
Royal Bank (R-1 Mid)	Open	\$0	5%	\$284,094	10%	\$129,725	5%
Royal Bank 1 Day BA		\$154,370					
Toronto Dominion (R-1 Mid)	Open	\$35,905	1%	\$284,094	10%	\$248,189	9%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>		<b>\$2,780,359</b>	<b>98%</b>				
<u>FIXED (Bonds, etc. over one year)</u>							
<b>Federal Government &amp; its Guarantees</b>							
Federal Government		\$54,175	2%				
<b>TOTAL FIXED</b>							
<u>EQUITIES</u>							
Bank of Montreal		\$6,410	0%				
<b>TOTAL EQUITIES</b>							
<b>Total Investments</b>		<b>\$2,840,944</b>	<b>100%</b>				