

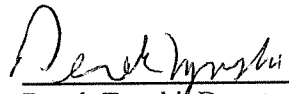


PO Box 1749
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Halifax Regional Council
March 27, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Cathie O'Toole, CGA A/ Director of Finance


Derek Tynski, Deputy Treasurer

DATE: March 13, 2007

SUBJECT: Investment Activities - Quarter Ending December 31, 2006

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, 2006 has been reviewed by the Committee.

DISCUSSION

HRM Investment Performance & Activities

HRM Short Term (Money Market Pool)

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, 2006:

Money Market Funds	3 Months (to Dec. 31, 2006)	1 Year (to Dec. 31, 2006)
5 th Percentile	1.1%	4.2%
1 st Quartile	1.1%	4.1%
Mercer Median	1.1%	4.0%
3 rd Quartile	1.0%	3.9%
95 th Percentile	1.0%	3.7%
SC 91 Day T-Bills	1.0%	4.0%
HRM	1.1%	3.8%

Relative performance for the Quarter has returned to the Median level while full year performance continues to lag. The full year relative performance reflects the very high quality of the HRM portfolio as well as past decisions to take a conservative approach by locking in yield for a portion of the portfolio in a rising interest rate environment. This was done to help ensure that the budget targets would be met. While future relative performance will continue to be somewhat constrained by the very high quality of the portfolio, the impact of the lower yielding investments in the portfolio will dissipate as more of these investments mature. This is already being reflected in the Quarter under review.

During the Quarter, 75 investments were made at a total cost of \$290,000,000. The average term to maturity was 81 days. This compares to the same Quarter last year when 32 investments were made at a cost of \$137,000,000 and an average term to maturity of 190 days. The greater number of investments as well as the shorter term to maturity this year compared to last is in keeping with the shape of the yield curve in the respective years. During the subject Quarter the short term yield curve was generally flat or inverted. As a result staff emphasized shorter term investments rolling over available funds in the higher yielding Financial Institutions sector. Last year, with the Bank of Canada having just begun its tightening cycle in September, the yield curve was upward sloping and staff emphasized more investments in the one year term to lock in the greater yield available.

Staff are projecting Operating Fund Investment Income for the year to be \$3,500,000 versus a budget of \$2,700,000 and the previous projection of \$3,350,000. Most of this increase in projected investment income is due to more favorable cash flow trends in the Capital Fund, particularly in the Quarter ending March 31. During this Quarter in 2006 there were some \$29,700,000 of large Capital payments. Based on actual experience and guesstimated expenditures for the balance of this fiscal year the comparable figure is anticipated to be \$24,900,000 with some of the larger expenditures coming relatively later in the Quarter than in the previous year. In addition the \$7,600,000 Gas Tax payment was received January 29 this year versus March 31 last year. To the extent that these funds are used to fund Capital Projects where the expenditures have already been made this will be a positive for Operating Fund Investment Income. It is anticipated that rate of return for the Money Market Pool for the 2006/07 fiscal year will be 4.07% versus a budgeted rate of 3.90%.

Investment Income for the Reserve Funds is projected to be \$8,190,000 for the year including income from the Province of Nova Scotia Promissory Notes. This is up from the previously reported projection of \$7,720,000 largely due to higher than anticipated cash balances.

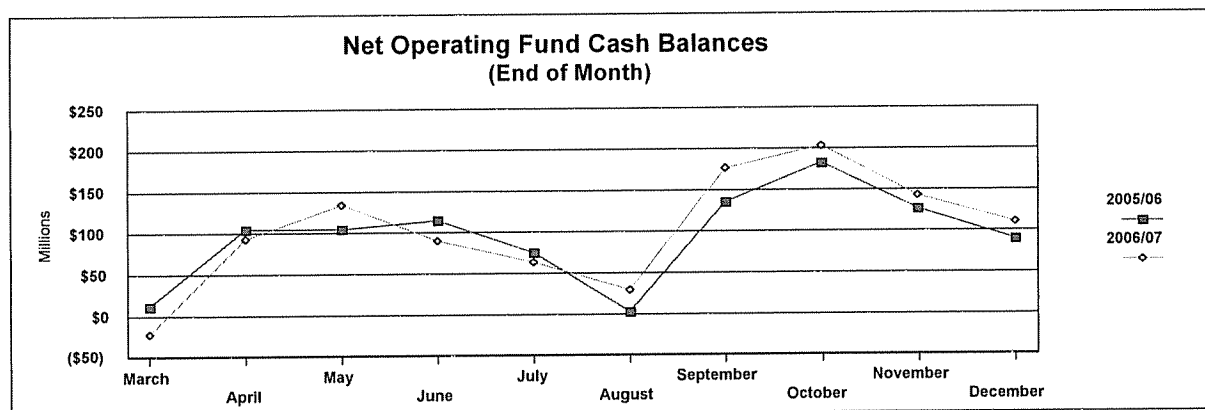
Operating Fund Investment Income for the 2007/08 fiscal year has been budgeted at \$3,230,000 with an average rate of return of 4.25%. This is somewhat below what is anticipated for the actual earnings in 2006/07 due to adjustments for anticipated Capital Fund expenditures. The rate of return target of 4.25% is very close to the current actual level of 4.24%. It also reflects the likelihood that the Bank of Canada will keep interests rates at current levels in 2007, a view that is held by a number of forecasters. However there are also some who see weakness coming in the Canadian economy from the housing and export sectors that would result in the Bank of Canada cutting rates in the second half of 2007. There is also a school of thought that the Bank could in fact be raising rates later in the year should the consumer maintain the high level of resilience shown to date and the labour markets remain tight. On balance, however, staff believe this rate is reasonable for budget purposes. Staff will look for opportunities to lock in yield to help protect the targeted rate of return recognizing that should rates increase later in the year that relative performance will suffer.

HRM Short Term Bond Pool & Targeted Reserve Fund Investments

There were no Bond purchases made during the Quarter as yields available did not make this market segment attractive.

Cash Flows

As indicated in the graph below Net Operating Fund Cash Balances, including the impact of the Capital Fund, continued to be above the previous year's levels during the Quarter.



The new bank contract has resulted in a lower rate of interest being paid on cash balances. In managing the Liquidity Objective staff balance this against the potential for unanticipated expenditures by HRM and the Associations, Boards and Commissions (ABC's) that are part of the consolidated banking arrangement. While HRM generally follows a fixed cheque run schedule, there can be exceptions. The ABC's make payments on schedules that are appropriate for their operations and priorities.

Investment maturities are targeted for the HRM cheque run dates and funds not required to cover cheques issued are re-invested. However there is still a need to maintain a level of cash in the bank for reasons discussed above. Staff consider cash not required to cover outstanding cheques over \$50,000 or other types of payments such as debt payments and transfers to the School Board, etc. that will occur the next business day as "effective cash in bank". The average effective cash in bank in the reporting Quarter was \$5,154,000 compared to \$17,360,000 in the same Quarter last year.

Subsequent to End of Reporting Quarter

Staff met with a representative of CanDeal (an electronic Money Market and Bond marketplace) who reviewed a number of enhancements to their service including the ability to see current pricing and purchase Brokers' inventories of Financial Institution instruments on-line. This may make the use of this platform for purchasing investments more appealing. Staff are continuing to monitor the

pricing and instruments indicated as available through CanDeal compared to what can be obtained by the usual practice of calling the Brokers.

Partly as a result of the discussions with the CanDeal representative, National Bank Financial was added as an active Broker. This new Broker does not present any credit risk as all trades are processed through the HRM Custodian RBC Dexia and the cash to settle trades is only transferred upon transfer of ownership. Normal settlement processes have been confirmed. They have been successful on a couple of opportunities presented to the Brokers since they were activated.

On February 15 staff were advised of the requirement to make a payment of \$9,925,000 on February 20 for the purchase of new busses. Although cash was made available from maturities and cash held in the interest bearing bank account, the relatively short notice for this sizable payment is having an impact on staff's flexibility to cover cash requirements in the near term and lock in relatively attractive yields in the one year area when they occur.

Accounts Payable staff have recently completed testing and implementation of an electronic platform for vendor payments. It is anticipated that growth in the use of this product will be gradual. In the short run the more immediate payment this allows versus a cheque traversing the various mail and processing systems may result in small negative for investment income. Over time, however, it should enhance HRM's ability to negotiate contract terms and discounts.

Outlook & Strategy

Canadian Economists and Statisticians are facing the conundrum of stellar job growth with lackluster growth in GDP. Statistics Canada has formed a committee to study the issue. There is more than academic interest here as the implied poor productivity serves to lower the Bank of Canada's measure of how fast the economy can grow without creating inflation. Measuring output in an economy that is becoming more service and information based may be part of the problem. Potential revisions to these measures as a result of the Statistics Canada review represent another risk to interest rate based markets.

As previously indicated in this report staff will continue to take advantage of opportunities to lock in yield to support the 2007/08 budget objective. Should economic growth or inflation surprise on the upside this will be detrimental to future relative performance. However with the very real risk that economic activity will soften in the future, particularly as the U.S. sub-prime mortgage market shows signs of strain, these longer dated investments may well turn out to be very positive for relative performance should predictions of rate cuts materialize.

Another priority will be to keep the Financial Institutions sector weight near maximum keeping in mind the inflow of cash from the Property Tax Billing in April and the need to match maturities to specific cash requirements.

Policy Compliance

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

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

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

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

Competitive Return on Investments - Although relative performance for the year ending December 31, 2006 is below median this is before fees. Previous discussions with Mercer Investment Consulting have indicated that average fees from their survey would be 25 bps. As a result performance continues to meet the Objective of the Policy.

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

BUDGET IMPLICATIONS

The projected over achievement of Operating Fund Investment Income in the 2006/07 fiscal year referred to in the Discussion section of this report will help offset revenue shortfalls or expenses in excess of budget in the Operating Fund. The budget for Operating Fund Investment Income for 2007/08 will be incorporated into the Operating Budget and will help reduce the demand on taxpayers for the provision of Municipal Services.

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

Appendix A - Economic Statistics and Central Bank Actions
Sector Weight Schedules @ December 31, 2006 (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, Deputy Treasurer *NT*

Approved by: Cathie O'Toole, CGA A/ Director of Finance

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Oct. 6.2%, Nov. 6.3%, Dec. 6.1%	Oct. 4.4%, Nov. 4.5%, Dec. 4.5%
Jobs Created / (Lost) ('000's)	Oct. 50.5 , Nov. 22.4, Dec. 61.6	Oct. 86, Nov. 196, Dec. 206
CPI (year over year)	Oct. 0.9% , Nov. 1.4%, Dec. 1.6%	Oct. 1.3% , Nov. 2.0%, Dec. 2.5%
CPI-X (Core) (year over year)	Oct. 2.3%, Nov. 2.2%, Dec. 2.0%	Oct. 2.7% , Nov. 2.6%, Dec. 2.6%
GDP Q4	1.4%	3.5%A

Central Bank Activities Oct. 1 to Dec. 31, 2006

- October 17 Bank of Canada Hold at 4.25%, Bias Neutral
- October 25 US Federal Open Market Committee Hold at 5.25%, Bias Neutral
- December 5 Bank of Canada Hold at 4.25%, Bias Neutral
- December 12 US Federal Open Market Committee Hold at 5.25%, Bias Neutral

**Total Investments
Sector Weights
@ December 31, 2006**

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>	
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$133,608,143	53%	\$251,039,760	100%	\$117,431,617	47%
Federal Government	Open	\$78,978,850	31%				
Business Development Bank	Open	\$9,588,600	4%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$23,324,633	9%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$21,716,060	9%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$68,726,486	27%	\$251,039,760	100%	\$182,313,274	73%
Total Alberta (R-1 High)	Open	\$33,028,634	13%	\$62,759,940	25%	\$29,731,306	12%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open	\$0					
Alberta Treasury Branches (R-1 High)	Open	\$33,028,634					
British Columbia (R-1 Mid)	Open	\$13,893,720		\$62,759,940	25%	\$48,866,220	19%
Manitoba (R-1 Low)	Closed			\$62,759,940	25%	\$62,759,940	
New Brunswick (R-1 Low)	Closed			\$62,759,940	25%	\$62,759,940	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$62,759,940	25%	\$62,759,940	
Nova Scotia (R-1 Low)	Closed			\$62,759,940	25%	\$62,759,940	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$62,759,940	25%	\$62,759,940	
Ontario (R-1 Mid)	Open	\$21,804,132	9%	\$62,759,940	25%	\$40,955,808	16%
Prince Edward Island (R-1 Low)	Closed			\$62,759,940	25%	\$62,759,940	
Quebec (R-1 Low)	Closed			\$62,759,940	25%	\$62,759,940	
Saskatchewan (R-1 Low)	Closed			\$62,759,940	25%	\$62,759,940	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$62,759,940	25%	\$62,759,940	25%
Calgary (R-1 Mid)	Open			\$25,103,976	10%	\$25,103,976	10%
Edmonton (R-1 High)	Open			\$25,103,976	10%	\$25,103,976	10%
Winnipeg (R-1 Mid)	Open			\$25,103,976	10%	\$25,103,976	10%
BA's Schedule A							
Financial Institutions & their Guarantees	Canadian Banks R-1	\$48,705,131	19%	\$62,759,940	25%	\$14,054,809	6%
Bank of Montreal (R-1 Mid)	Open	\$4,981,490	2%	\$25,103,976	10%	\$20,122,486	8%
Bank of Nova Scotia (R-1 Mid)	Open	\$22,848,270	9%	\$25,103,976	10%	\$2,255,706	1%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$7,236,712	3%	\$25,103,976	10%	\$17,867,264	7%
Laurentian Bank (R-1 Low)	Closed			\$25,103,976	10%	\$25,103,976	
National Bank of Canada (R-1 Low)	Closed			\$25,103,976	10%	\$25,103,976	
Royal Bank (R-1 Mid)	Open	\$3,971,000	2%	\$25,103,976	10%	\$21,068,656	8%
Royal Bank 1 Day BA		\$64,320					
Toronto Dominion (R-1 Mid)	Open	\$9,603,339	4%	\$25,103,976	10%	\$15,500,637	6%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$251,039,760	100%				
FIXED (Bonds, etc. over one year)							
Federal Government & its Guarantees		\$23,718,299					
Federal Government (AAA)		\$23,718,299					
Province of Nova Scotia (A-Low)		\$21,500,000					
TOTAL FIXED		\$45,218,299					
EQUITIES							
Bank of Montreal		\$6,410					
TOTAL EQUITIES		\$6,410					
TOTAL INVESTMENTS		\$296,264,469					
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$14,006,190					
TOTAL INVESTMENTS & O/S Cheques Coverage		\$310,270,659					

**Operating Fund
Sector Weights
@ December 31, 2006**

Schedule B

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$57,580,144	53%	\$108,188,808	100%	\$50,608,663	47%
Federal Government	Open	\$34,036,949	31%				
Business Development Bank	Open	\$4,132,330	4%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$10,052,050	9%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$9,358,815	9%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$29,618,561	27%	\$108,188,808	100%	\$78,570,246	73%
Total Alberta (R-1 High)	Open	\$14,234,114	13%	\$27,047,202	25%	\$12,813,088	12%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$14,234,114	13%				
British Columbia (R-1 Mid)	Open	\$5,987,677		\$27,047,202	25%	\$21,059,525	19%
Manitoba (R-1 Low)	Closed			\$27,047,202	25%	\$27,047,202	
New Brunswick (R-1 Low)	Closed			\$27,047,202	25%	\$27,047,202	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$27,047,202	25%	\$27,047,202	
Nova Scotia (R-1 Low)	Closed			\$27,047,202	25%	\$27,047,202	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$27,047,202	25%	\$27,047,202	
Ontario (R-1 Mid)	Open	\$9,396,771	9%	\$27,047,202	25%	\$17,650,431	16%
Prince Edward Island (R-1 Low)	Closed			\$27,047,202	25%	\$27,047,202	
Quebec (R-1 Low)	Closed			\$27,047,202	25%	\$27,047,202	
Saskatchewan (R-1 Low)	Closed			\$27,047,202	25%	\$27,047,202	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$27,047,202	25%	\$27,047,202	25%
Calgary (R-1 Mid)	Open			\$10,818,881	10%	\$10,818,881	10%
Edmonton (R-1 High)	Open			\$10,818,881	10%	\$10,818,881	10%
Winnipeg (R-1 Mid)	Open			\$10,818,881	10%	\$10,818,881	10%
BA's Schedule A							
Financial Institutions & their Guarantees	Canadain Banks R-1 Mid	\$20,990,102	19%	\$27,047,202	25%	\$6,057,100	6%
Bank of Montreal (R-1 Mid)	Open	\$2,146,837	2%	\$10,818,881	10%	\$8,672,044	8%
Bank of Nova Scotia (R-1 Mid)	Open	\$9,846,755	9%	\$10,818,881	10%	\$972,126	1%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$3,118,754	3%	\$10,818,881	10%	\$7,700,127	7%
Laurentian Bank (R-1 Low)	Closed			\$10,818,881	10%	\$10,818,881	
National Bank of Canada (R-1 Low)	Closed			\$10,818,881	10%	\$10,818,881	
Royal Bank (R-1 Mid)	Open	\$1,711,353 }	0%	\$10,818,881	10%	\$9,079,807	8%
Royal Bank 1 Day BA		\$27,720 }					
Toronto Dominion (R-1 Mid)	Open	\$4,138,682	4%	\$10,818,881	10%	\$6,680,199	6%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
Total Investments		\$108,188,808	100%				
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$14,006,190					
Total Cash and Investments		\$122,195,000					

**Capital Fund
Sector Weights
@ December 31, 2006**

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>
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						
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 Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0	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	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0	0%	\$0	25%	\$0	0%
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%
	BA's Schedule A						
	Canadian Banks R-1						
Financial Institutions & their Guarantees	Mid	\$0	0%	\$0	25%	\$0	0%
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						
Total Investments		\$0	0%				

**Reserve Funds
Sector Weights
@ December 31, 2006**

Schedule D

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$74,565,764	53%	\$140,103,524	100%	\$65,537,760	47%
Federal Government	Open	\$44,077,540	31%				
Business Development Bank	Open	\$5,351,330	4%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$13,017,314	9%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$12,119,580	9%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$38,355,768	27%	\$140,103,524	100%	\$101,747,756	73%
Total Alberta (R-1 High)	Open	\$18,433,048	10%	\$35,025,881	25%	\$16,592,833	12%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$18,433,048					
British Columbia (R-1 Mid)	Open	\$7,753,987		\$35,025,881	25%	\$27,271,894	19%
Manitoba (R-1 Low)	Closed			\$35,025,881	25%	\$35,025,881	
New Brunswick (R-1 Low)	Closed			\$35,025,881	25%	\$35,025,881	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$35,025,881	25%	\$35,025,881	
Nova Scotia (R-1 Low)	Closed			\$35,025,881	25%	\$35,025,881	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$35,025,881	25%	\$35,025,881	
Ontario (R-1 Mid)	Open	\$12,168,733	9%	\$35,025,881	25%	\$22,857,148	16%
Prince Edward Island (R-1 Low)	Closed			\$35,025,881	25%	\$35,025,881	
Quebec (R-1 Low)	Closed			\$35,025,881	25%	\$35,025,881	
Saskatchewan (R-1 Low)	Closed			\$35,025,881	25%	\$35,025,881	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$35,025,881	25%	\$35,025,881	25%
Calgary (R-1 Mid)	Open			\$14,010,352	10%	\$14,010,352	10%
Edmonton (R-1 High)	Open			\$14,010,352	10%	\$14,010,352	10%
Winnipeg (R-1 Mid)	Open			\$14,010,352	10%	\$14,010,352	10%
BA's Schedule A							
Financial Institutions & their Guarantees	Mid	\$27,181,991	19%	\$35,025,881	25%	\$7,843,890	6%
Bank of Montreal (R-1 Mid)	Open	\$2,780,135	2%	\$14,010,352	10%	\$11,230,218	8%
Bank of Nova Scotia (R-1 Mid)	Open	\$12,751,459	9%	\$14,010,352	10%	\$1,258,894	1%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$4,038,758	3%	\$14,010,352	10%	\$9,971,594	7%
Laurentian Bank (R-1 Low)	Closed			\$14,010,352	10%	\$14,010,352	
National Bank of Canada (R-1 Low)	Closed			\$14,010,352	10%	\$14,010,352	
Royal Bank (R-1 Mid)	Open	\$2,216,187	2%	\$14,010,352	10%	\$11,758,268	8%
Royal Bank 1 Day BA		\$35,897					
Toronto Dominion (R-1 Mid)	Open	\$5,359,556	4%	\$14,010,352	10%	\$8,650,796	6%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$140,103,524	76%				
FIXED (Bonds, etc. over one year)	Open (Special)						
Federal Government (AAA)		\$23,664,124	13%				
Province of Nova Scotia (A-Low)		\$21,500,000	12%				
Total Investments		\$185,267,648	100%				

**Trust Funds
Sector Weights
@ December 31, 2006**

Schedule E

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$1,462,234	53%	\$2,747,429	100%	\$1,285,195	47%
Federal Government	Open	\$864,360	31%				
Business Development Bank	Open	\$104,940	4%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$255,269	9%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$237,665	9%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$752,156	27%	\$2,747,429	100%	\$1,995,273	73%
Total Alberta (R-1 High)	Open	\$361,472	13%	\$686,857	25%	\$325,385	12%
Alberta (R-1 High)	Open	\$0					
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$361,472					
British Columbia (R-1 Mid)	Open	\$152,056		\$686,857	25%	\$534,802	19%
Manitoba (R-1 Low)	Closed			\$686,857	25%	\$686,857	
New Brunswick (R-1 Low)	Closed			\$686,857	25%	\$686,857	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$686,857	25%	\$686,857	
Nova Scotia (R-1 Low)	Closed			\$686,857	25%	\$686,857	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$686,857	25%	\$686,857	
Ontario (R-1 Mid)	Open	\$238,629	9%	\$686,857	25%	\$448,229	16%
Prince Edward Island (R-1 Low)	Closed			\$686,857	25%	\$686,857	
Quebec (R-1 Low)	Closed			\$686,857	25%	\$686,857	
Saskatchewan (R-1 Low)	Closed			\$686,857	25%	\$686,857	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0	0%	\$686,857	25%	\$686,857	25%
Calgary (R-1 Mid)	Open			\$274,743	10%	\$274,743	10%
Edmonton (R-1 High)	Open			\$274,743	10%	\$274,743	10%
Winnipeg (R-1 Mid)	Open			\$274,743	10%	\$274,743	10%
	BA's Schedule A Canadian Banks R-1 Mid	\$533,039	19%	\$686,857	25%	\$153,819	6%
Financial Institutions & their Guarantees	Open	\$54,518	2%	\$274,743	10%	\$220,224	8%
Bank of Montreal (R-1 Mid)	Open	\$54,518	2%	\$274,743	10%	\$220,224	8%
Bank of Nova Scotia (R-1 Mid)	Open	\$250,056	9%	\$274,743	10%	\$24,687	1%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$79,200	3%	\$274,743	10%	\$195,543	7%
Laurentian Bank (R-1 Low)	Closed			\$274,743	10%	\$274,743	
National Bank of Canada (R-1 Low)	Closed			\$274,743	10%	\$274,743	
Royal Bank (R-1 Mid)	Open	\$43,459 }	2%	\$274,743	10%	\$230,580	8%
Royal Bank 1 Day BA		\$704 }					
Toronto Dominion (R-1 Mid)	Open	\$105,101	4%	\$274,743	10%	\$169,642	6%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$2,747,429	98%				
FIXED (Bonds, etc. over one year)							
Federal Government & its Guarantees							
Federal Government		\$54,175	2%				
TOTAL FIXED							
EQUITIES							
Bank of Montreal		\$6,410	0%				
TOTAL EQUITIES							
Total Investments		\$2,808,012	100%				