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Item No. 4

**Halifax Regional Council
April 22, 2008**

TO: Mayor Kelly and Members of Halifax Regional Council

(Original signed)

SUBMITTED BY: _____
S. Dale MacLennan, Director of Finance

DATE: April 8, 2008

SUBJECT: Investment Activities - Quarter Ending December 31, 2007

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, 2007 has been reviewed by the Committee.

DISCUSSION

HRM Investment Performance and 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, 2007:

Money Market Funds	3 Months (to December 31, 2007)	1 Year (to December 31, 2007)
5 th Percentile	1.26%	4.67%
1 st Quartile	1.25%	4.58%
Mercer Median	1.19%	4.50%
3 rd Quartile	1.15%	4.40%
95 th Percentile	0.80%	3.63%
DEX 91 Day T-Bills	1.08%	4.43%
HRM	1.14%	4.38%

HRM relative performance was just below the 3rd Quartile break for both the 3 month and 1 year periods. It is interesting to note the spread between the top and bottom performers has widened considerably from previous Surveys. Looking back over the quarterly Surveys for the previous year, the spread between the 5th and 95th percentile was never greater than 20 bps for the 3 month periods and 59 bps for 1 year periods. For the current Survey the spreads are 46 and 104 bps respectively. This would appear to demonstrate that for those with higher risk appetites greater returns can be had. However, in these uncertain times and in keeping with the Objectives of the Investment Policy, staff believe that the conservative risk profile of the HRM portfolio is appropriate and are willing to accept the lower relative rates of return.

The DEX 91 Day T-Bill Index for the 1 year period is benefitting from the surge in yield from the previous Quarter when rates dropped in response to the initial flight to quality bid. This index is calculated by assuming one Government of Canada T-Bill is held which is sold and repurchased on

the two week auction cycle. While it does provide a very general level on the short term market it does not provide an investable option and therefore is of limited usefulness.

During the Quarter there were 108 investments made at a total cost of \$361,637,000 and an average term to maturity of 78 days. This compares to the same Quarter last year when there were 75 investments made at a cost of \$290,000,000 and an average term to maturity of 81 days. The year over year comparison shows a less dramatic increase in investment activity than in recent reports as the previous year's activity level reflects the change in investment patterns as a result of the lowering of the interest rate available on cash on deposit as part of the new banking contract. The incremental increase in activity was largely due to the increase in the Non-Government Sectors under the Policy change and rolling over these investments. The additional gross income to be earned on investments made to the end of the reporting Quarter from the change in the Investment Policy is now calculated to be \$247,000.

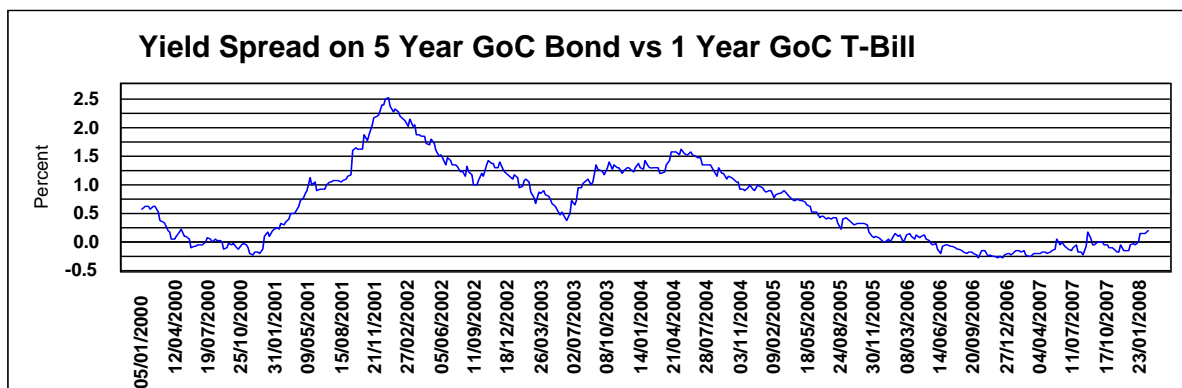
Because of the very high quality of our potential investment candidates the Non-Government Sector Weight was kept near maximum throughout the Quarter. As more information became available on the potential solutions to the frozen Non-Bank Asset Backed Securities market in Canada all but one of the Tier 2 names were reinstated for active consideration.

The most recent projection of Operating Fund Investment Income indicates that budget will be exceeded by \$100,000 with a rate of return of 4.38% versus a budgeted rate of 4.25%. The elevated pace of expenditures experienced in October and November subsided in December. This has allowed the greater than budgeted rate of return to overtake the somewhat lower than anticipated cash available for investment for the Operating Fund.

HRM Short Term Bond Pool and Targeted Reserve Fund Investments

One purchase was made in December for the Short Term Bond Pool.

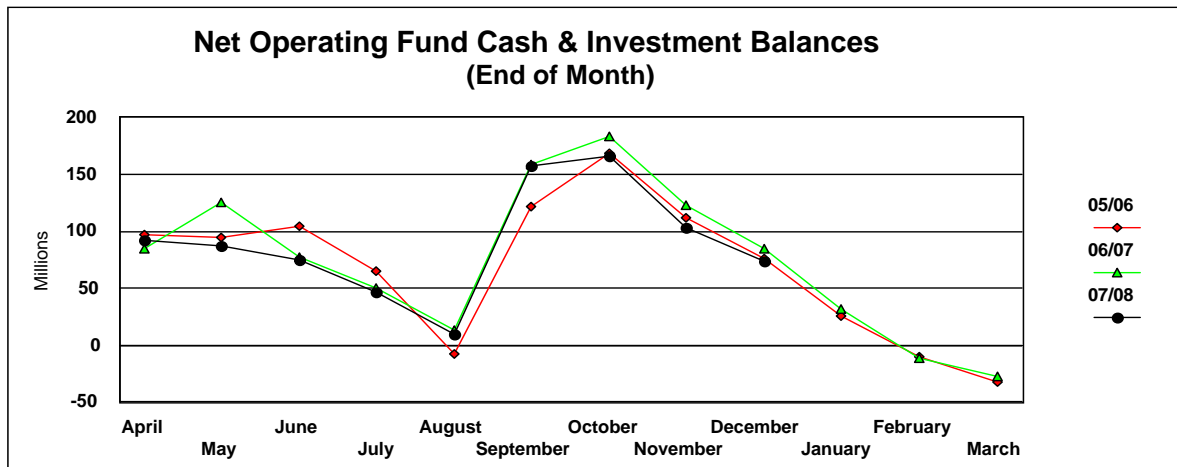
As shown in the graph below, in recent years the spread between short term bonds and T-Bills has been greatly reduced. In the middle part of the decade this may have been a reflection of global liquidity bidding down bond yields while recently it is probably more reflective of a flight to quality by bond managers whose mandates may limit T-Bill exposure. Confidence in central banks' abilities to manage inflation may have also been a factor.



Regardless of the actual cause, it has reduced the incentive to make additions to the Short Term Bond Pool as it effectively raises the potential cost of protecting against the vagaries of changes in Monetary Policy when a multi-year time horizon is considered. The recent change to the Investment Policy also serve as a disincentive to add to the Short Term Bond Pool as the expansion in the amount of Non-Government investments will have a tendency to increase yield on the Money Market Pool. Also, for the short to medium term the level of HRM Reserves will decline as the Harbour Solutions Project nears completion. Taking all these factors into consideration it is currently anticipated that additions to the Short Term Bond Pool will continue to be done on an opportunistic basis rather than following a more structured laddered approach. This has been discussed with the Committee.

Cash Flows

The data for the graph below has been adjusted to remove the cash and investment balances of the Associations, Boards and Commissions (ABC). In previous versions the balances were included to simplify data capture and because their balance patterns were reasonably consistent. However with the assumption of Waste Water responsibilities and associated funding by the Halifax Regional Water Commission their cash and investment balances will grow outside of historical norms. Because of data availability issues some of the smaller ABC's historical balances were extrapolated.



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While the revised graph provides a more accurate picture of the Net Operating Fund Cash and Investment Balances it should be noted that balances inclusive of the ABC's will continue to be used in the Sector Weight Schedules, etc.

Effective Cash in the Royal Bank averaged \$4,000,000 versus a target of \$5,000,000 and the previous year's comparable of \$5,400,000.

Subsequent to End of Reporting Quarter

Global write downs of financial instruments have exceeded \$200 billion. A recent UBS report suggests the final tally may be in the \$600 billion range. Canada continues to participate with CIBC taking an additional \$2.5 billion charge largely because of exposure to troubled insurer ACA, BMO taking a \$490 million charge for SIV and other exposures and CDP taking a \$1.9 billion write down for Canadian Asset Backed Securities and US subprime mortgages. The other Financial Institutions reported more modest charges.

Despite these write downs and potential future charges the Canadian Banking system remains solid. A February report by the IMF praised the Big 5 Canadian Banks for their strong risk based capital ratios and high returns on equity.

Other ripple effects of the credit crisis continue. U.S. Municipalities, School Boards and Agencies who participate in the auction rate market have seen the interest rates they pay on bonds soar. Many of these entities use Bond Insurers to theoretically enhance their credit quality. With the fear that some Bond Insurers may lose their AAA ratings many of these auctions are failing with a default interest rate being triggered. For example the Port Authority of New York saw the rate they pay on a \$100 million bond issue go to 20% from 4.3% the previous week because of a failed auction. The broker / dealer banks that had previously stepped in to provide liquidity have stopped because of their own stressed balance sheets.

The U.S. Federal Open Market Committee (FOMC) took extremely aggressive action by cutting rates by 75 bps in the first inter-meeting cut since 2001 and followed it up eight days later with another 50 bps cut at their regular meeting January 30 and then cut rates by 75 bps at their regular meeting March 18. The inter-meeting rate cut appeared to be at least partly as a result of substantial drops in Global Equity Markets that occurred while U.S. Markets were closed January 21 for a national holiday. It was revealed later that week that some of the Equity Market volatility was probably as a result of the unwinding of positions of a rogue trader at Societe Generale in France that resulted in a \$7.2 billion loss to that bank.

Benign inflation in Canada allowed the Bank of Canada to cut rates by 25 bps in January and 50 bps March 4 with the door left open for further cuts in the future. The Bank cited a deeper and more prolonged slowdown in the U.S. economy as its prime motivation. Recent data from the U.S. served to confirm that view with 232,000 job losses reported in the Quarter ending March 31. However in Canada reports showed incredible job gains of 104,300 for the same period.

The U.S. Federal Reserve has taken unprecedented steps to provide stability to the financial system by orchestrating the sale of Bear Stearns, the 5th largest U.S. investment bank, and taking on \$30 billion of their less liquid assets. They are also making \$200 billion of Treasury Bills available on loan to other investment banks in return for other assets. While these measures speak to the severity of the risks in the financial system, particularly counter party risks in derivative transactions, they also speak to the willingness of officials to intervene.

Outlook & Strategy

In light of these recent events, and in consultation with the Committee, staff have reduced the maximum term on new purchases of Non-Government investments from three months to two months. This is anticipated to be a temporary measure. Staff will continue to monitor market conditions and consult with the Committee. As always in balancing the multiple Objectives of the Investment Policy, Preservation of Capital will take precedence.

There are reasons for cautious optimism as the year unfolds. Interest rate cuts already in place and anticipated combined with fiscal stimulus should provide support to the economies in the U.S and Canada. In the U.S. there are a number of measures being put in place, with more in the discussion phase, to aid the housing market. The extraordinary measures taken by the U.S. Federal Reserve are also providing comfort to the market that systemic risk has been reduced.

We have budgeted a fairly aggressive rate of return of 3.55% and Operating Fund Investment Income of \$2,680,000 for the 2008/09 fiscal year given the current interest rate environment. This reflects the potential for forward looking interest rates to move up later in the year should the economies and markets stabilize.

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 with the exception of the strategic sales discussed in this report.

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%.

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

Competitive Return on Investments - Although the rate of return was below median for the year ending December 31 on a before fee basis on an after estimated fee basis the rate of return would have exceeded the median level. As a result staff maintain that this Objective has been met.

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

BUDGET IMPLICATIONS

From information currently available staff anticipate that the Operating Fund Investment Income budget will be exceeded by \$100,000 for the year.

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.

ATTACHMENTS

Sector Weight Schedules @ December 31, 2007 (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/council/agendasc/cagenda.html> then choose the appropriate 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: S Dale MacLennan, CA, Director of Finance 490-6308

**Total Investments
Sector Weights
@ December 31, 2007**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	69,838,171	27%	257,416,682	100%	187,578,511	73%
Federal Government	Open	59,604,680	23%				
Business Development Bank	Open	5,872,980	2%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	4,360,511	2%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	63,554,091	25%	257,416,682	100%	193,862,591	75%
Total Alberta (R-1 High)	Open	7,845,780	3%	64,354,170	25%	56,508,390	22%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	7,845,780					
British Columbia (R-1 High)	Open	6,073,334	2%	64,354,170	25%	58,280,836	23%
Manitoba (R-1 Mid)	Open	0	0%	64,354,170	25%	64,354,170	
New Brunswick (R-1 Mid)	Open	8,844,020	3%	64,354,170	25%	55,510,150	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			64,354,170	25%	64,354,170	
Ontario (R-1 High)	Open	21,357,675	8%	64,354,170	25%	42,996,495	17%
Quebec (R-1 Mid)	Open	19,433,282	8%	64,354,170	25%	44,920,888	
Saskatchewan (R-1 Mid)	Open		0%	64,354,170	25%	64,354,170	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		64,354,170	25%	64,354,170	25%
Calgary (R-1 High)	Open			25,741,668	10%	25,741,668	10%
Edmonton (R-1 High)	Open			25,741,668	10%	25,741,668	10%
Financial Institutions & their Guarantees /Corporations		124,024,420	48%	128,708,341	50%	4,683,921	2%
	BA's Schedule A Canadian Banks R-1 Mid						
Tier 1 - Financial Institutions & their Guarantees	Mid	101,047,476	39%	128,708,341	50%	27,660,865	11%
Bank of Montreal (R-1 High)	Open	19,376,175	8%	25,741,668	10%	6,365,493	2%
Bank of Nova Scotia (R-1 High)	Open	23,743,213	9%	25,741,668	10%	1,998,455	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	24,260,235	9%	25,741,668	10%	1,481,433	1%
Royal Bank (R-1 High)	Open	6,966,610	4%	25,741,668	10%	14,735,153	6%
Royal Bank - Effective Cash		4,039,905					
Toronto Dominion (R-1 High)	Open	22,661,338	9%	25,741,668	10%	3,080,330	1%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	22,976,944	9%	64,354,170	25%	41,377,226	16%
National Bank of Canada (R-1 Mid)	Open	11,051,564	4%	12,870,834	5%	1,819,270	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	12,870,834	5%	12,870,834	5%
CDP Financial Inc (R-1 High)	Open	0	0%	12,870,834	5%	12,870,834	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	12,870,834	5%	12,870,834	5%
Desjardins Total		11,925,380	5%	12,870,834	5%	945,454	0%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	11,925,380					
Total Cash and Equivalents		257,416,682	100%				
FIXED (Bonds, etc. over one year)							
Federal Government		13,088,041	5%				
Total Fixed		13,088,041					
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		270,511,133					
Interest Bearing Bank Accounts - O/S Cheque Coverage		14,110,062	*				
Total Investments and O/S Cheques Coverage		284,621,195					

SCHEDULE B

Operating Funds
Sector Weights
@ December 31, 2007

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	29,961,951	27%	110,436,828	100%	80,474,877	73%
Federal Government	Open	25,571,582	23%				
Business Development Bank	Open	2,519,624	2%				
Canada Mortgage & Housing Corp	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	1,870,745	2%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	27,265,957	25%	110,436,828	100%	83,170,871	75%
Total Alberta (R-1 High)	Open	3,365,994	3%	27,609,207	25%	24,243,213	22%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	3,365,994					
British Columbia (R-1 High)	Open	2,605,580	2%	27,609,207	25%	25,003,627	23%
Manitoba (R-1 Mid)	Open	0	0%	27,609,207	25%	27,609,207	
New Brunswick (R-1 Mid)	Open	3,794,259	3%	27,609,207	25%	23,814,948	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			27,609,207	25%	27,609,207	
Ontario (R-1 High)	Open	9,162,863	8%	27,609,207	25%	18,446,344	17%
Quebec (R-1 Mid)	Open	8,337,261	8%	27,609,207	25%	19,271,946	
Saskatchewan (R-1 Mid)	Open		0%	27,609,207	25%	27,609,207	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		27,609,207	25%	27,609,207	25%
Calgary (R-1 High)	Open			11,043,683	10%	11,043,683	10%
Edmonton (R-1 High)	Open			11,043,683	10%	11,043,683	10%
Financial Institutions & their Guarantees /Corporations		53,208,920	48%	55,218,414	50%	2,009,494	2%
Tier 1 - Financial Institutions & their Guarantees	BA's Schedule A Canadian Banks R-1 Mid	43,351,358	39%	55,218,414	50%	11,867,056	11%
Bank of Montreal (R-1 High)	Open	8,312,761	8%	11,043,683	10%	2,730,922	2%
Bank of Nova Scotia (R-1 High)	Open	10,186,306	9%	11,043,683	10%	857,377	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	10,408,119	9%	11,043,683	10%	635,564	1%
Royal Bank (R-1 High)	Open	2,988,813 }	4%	11,043,683	10%	6,321,671	6%
Royal Bank - Effective Cash		1,733,199 }					
Toronto Dominion (R-1 High)	Open	9,722,160	9%	11,043,683	10%	1,321,522	1%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	9,857,562	9%	27,609,207	25%	17,751,645	16%
National Bank of Canada (R-1 Mid)	Open	4,741,339	4%	5,521,841	5%	780,503	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	5,521,841	5%	5,521,841	5%
CDP Financial Inc (R-1 High)	Open	0	0%	5,521,841	5%	5,521,841	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	5,521,841	5%	5,521,841	5%
Desjardins Total		5,116,223	5%	5,521,841	5%	405,618	0%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	5,116,223					
Total Investments		110,436,828	100%				
Interest Bearing Bank Accounts - O/S Cheque Coverage		14,110,062	*				
Total Investments and O/S Cheques Coverage		124,546,890					

SCHEDULE C

**Capital Funds
Sector Weights
@ December 31, 2007**

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						
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	0	0%	0	100%	0	0%
Total Alberta (R-1 High)	Open	0	0%	0	25%	0	0%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	0	0%	0	25%	0	0%
Manitoba (R-1 Mid)	Open	0	0%	0	25%	0	
New Brunswick (R-1 Mid)	Open	0	0%	0	25%	0	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			0	25%	0	
Ontario (R-1 High)	Open	0	0%	0	25%	0	0%
Quebec (R-1 Mid)	Open	0	0%	0	25%	0	
Saskatchewan (R-1 Mid)	Open			0	25%	0	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		0	25%	0	0%
Calgary (R-1 High)	Open			0	10%	0	0%
Edmonton (R-1 High)	Open			0	10%	0	0%
Financial Institutions & their Guarantees /Corporations		0	0%	0	50%	0	0%
Tier 1 - Financial Institutions & their Guarantees	BA's Schedule A 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%
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 Cash and Equivalents		0	0%				
Interest Bearing Bank Accounts - O/S Cheque Coverage		0	*				
Total Investments and O/S Cheques Coverage		0					

Reserve Funds
Sector Weights
@ December 31, 2007

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	39,092,222	27%	144,090,117	100%	104,997,894	73%
Federal Government	Open	33,363,981	23%				
Business Development Bank	Open	3,287,426	2%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	2,440,815	2%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	35,574,681	25%	144,090,117	100%	108,515,435	75%
Total Alberta (R-1 High)	Open	4,391,710	3%	36,022,529	25%	31,630,819	22%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	4,391,710					
British Columbia (R-1 High)	Open	3,399,575	2%	36,022,529	25%	32,622,954	23%
Manitoba (R-1 Mid)	Open	0	0%	36,022,529	25%	36,022,529	
New Brunswick (R-1 Mid)	Open	4,950,479	3%	36,022,529	25%	31,072,050	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			36,022,529	25%	36,022,529	
Ontario (R-1 High)	Open	11,955,052	8%	36,022,529	25%	24,067,477	17%
Quebec (R-1 Mid)	Open	10,877,865	8%	36,022,529	25%	25,144,664	
Saskatchewan (R-1 Mid)	Open		0%	36,022,529	25%	36,022,529	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		36,022,529	25%	36,022,529	25%
Calgary (R-1 High)	Open			14,409,012	10%	14,409,012	10%
Edmonton (R-1 High)	Open			14,409,012	10%	14,409,012	10%
Financial Institutions & their Guarantees /Corporations		69,423,213	48%	72,045,058	50%	2,621,845	2%
Tier 1 - Financial Institutions & their Guarantees	BA's Schedule A						
Canadian Banks R-1 Mid		56,561,768	39%	72,045,058	50%	15,483,290	11%
Bank of Montreal (R-1 High)	Open	10,845,899	8%	14,409,012	10%	3,563,113	2%
Bank of Nova Scotia (R-1 High)	Open	13,290,368	9%	14,409,012	10%	1,118,644	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	13,579,773	9%	14,409,012	10%	829,239	1%
Royal Bank (R-1 High)	Open	3,899,590 }	4%	14,409,012	10%	8,248,067	6%
Royal Bank - Effective Cash		2,261,355 }					
Toronto Dominion (R-1 High)	Open	12,684,783	9%	14,409,012	10%	1,724,228	1%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	12,861,445	9%	36,022,529	25%	23,161,084	16%
National Bank of Canada (R-1 Mid)	Open	6,186,161	4%	7,204,506	5%	1,018,344	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	7,204,506	5%	7,204,506	5%
CDP Financial Inc (R-1 High)	Open	0	0%	7,204,506	5%	7,204,506	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	7,204,506	5%	7,204,506	5%
Desjardins Total		6,675,284	5%	7,204,506	5%	529,222	0%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	6,675,284					
Total Cash and Equivalents		144,090,117	100%				
FIXED (Bonds, etc. over one year)							
Federal Government		13,033,866	8%				
Total Fixed		13,033,866					
Total Investments		157,123,983					

SCHEDULE E

Trust Funds
Sector Weights
@ December 31, 2007

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	783,997	27%	2,889,738	100%	2,105,740	73%
Federal Government	Open	669,117	23%				
Business Development Bank	Open	65,930	2%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	48,951	2%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	713,453	25%	2,889,738	100%	2,176,285	75%
Total Alberta (R-1 High)	Open	88,076	3%	722,434	25%	634,358	22%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	88,076					
British Columbia (R-1 High)	Open	68,179	2%	722,434	25%	654,256	23%
Manitoba (R-1 Mid)	Open	0	0%	722,434	25%	722,434	
New Brunswick (R-1 Mid)	Open	99,282	3%	722,434	25%	623,152	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			722,434	25%	722,434	
Ontario (R-1 High)	Open	239,759	8%	722,434	25%	482,675	17%
Quebec (R-1 Mid)	Open	218,156	8%	722,434	25%	504,278	
Saskatchewan (R-1 Mid)	Open		0%	722,434	25%	722,434	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		722,434	25%	722,434	25%
Calgary (R-1 High)	Open			288,974	10%	288,974	10%
Edmonton (R-1 High)	Open			288,974	10%	288,974	10%
Financial Institutions & their Guarantees /Corporations		1,392,288	48%	1,444,869	50%	52,581	2%
Tier 1 - Financial Institutions & their Guarantees	BA's Schedule A						
Canadian Banks R-1 Mid		1,134,350	39%	1,444,869	50%	310,518	11%
Bank of Montreal (R-1 High)	Open	217,515	8%	288,974	10%	71,458	2%
Bank of Nova Scotia (R-1 High)	Open	266,539	9%	288,974	10%	22,434	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	272,343	9%	288,974	10%	16,630	1%
Royal Bank (R-1 High)	Open	78,207	4%	288,974	10%	165,416	6%
Royal Bank - Effective Cash		45,352					
Toronto Dominion (R-1 High)	Open	254,394	9%	288,974	10%	34,580	1%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	257,937	9%	722,434	25%	464,497	16%
National Bank of Canada (R-1 Mid)	Open	124,064	4%	144,487	5%	20,423	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	144,487	5%	144,487	5%
CDP Financial Inc (R-1 High)	Open	0	0%	144,487	5%	144,487	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	144,487	5%	144,487	5%
Desjardins Total		133,873	5%	144,487	5%	10,614	0%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	133,873					
Total Cash and Equivalents		2,889,738	100%				
FIXED (Bonds, etc. over one year)							
Federal Government		54,175	2%				
Total Fixed		54,175					
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		2,950,323					

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Oct. 5.8%, Nov. 5.9%, Dec. 5.9%	Oct. 4.7%, Nov. 4.7%, Dec. 5.0%
Jobs Created / (Lost) ('000's)	Oct. 63.0, Nov. 42.6, Dec. (2.9) Revised	Oct. 159, Nov. 60, Dec. 82
CPI (year over year)	Oct. 2.4%, Nov. 2.5%, Dec. 2.4%	Oct. 3.5%, Nov. 4.3%, Dec. 4.1%
CPI-X (Core) (year over year)	Oct. 1.8%, Nov. 1.6%, Dec. 1.5%	Oct. 2.2%, Nov. 2.3%, Dec. 2.4%
GDP Q4	0.8%	0.6%

Central Bank Activities October 1 to December 31, 2007

- October 16 Bank of Canada Holds rate at 4.50%, Bias Neutral
- October 31 US Federal Open Market Committee Reduces rate by .25% to 4.50%, Bias Easing
- December 4 Bank of Canada Reduces rate by .25% to 4.25%, Bias Neutral
- December 11 US Federal Open Market Committee Reduces rate by .25% to 4.25%, Bias Easing

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 Projects Corporation
OMERS Realty Corporation

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.