



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 1

**Halifax Regional Council
January 6, 2009**

TO: Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in cursive script that reads "Cathie O'Toole".

SUBMITTED BY:

Cathie O'Toole CGA, Director of Finance

DATE: December 15, 2008

SUBJECT: Investment Activities - Quarter Ending September 30, 2008

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 September 30, 2008 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 September 30, 2008:

Money Market Funds	3 Months (to Sept. 30, 2008)	9 Months (to Sept. 30, 2008)	1 Year (to Sept. 30, 2008)
5 th Percentile	0.96%	3.16%	4.42%
1 st Quartile	0.82%	2.89%	4.12%
Mercer Median	0.79%	2.79%	4.02%
3 rd Quartile	0.76%	2.68%	3.91%
95 th Percentile	0.60%	1.67%	2.44%
DEX 91 Day T-Bills	0.79%	2.59%	3.69%
HRM	0.77%	2.62%	3.76%

While HRM relative performance was within the 3rd Quartile for the Quarter relative performance was 4th Quartile for the 9 month and 1 year periods. This was discussed with the Committee in relation to the Competitive Return on Investments objective of the Policy. The consensus of the Committee was that this relative performance was understandable and acceptable given recent credit market conditions and the priority of the Preservation of Capital objective. Spreads between the top and bottom performers continue to be elevated particularly in the 1 year time frame. Staff believe this explains much of the relative performance differential HRM is experiencing as funds that take on more credit risk are being rewarded with relatively higher returns.

The Quarter saw 90 investments made at a cost of \$301,120,000 with an average term to maturity of 73 days. This compares to last year's 2nd Quarter of 105 investments made at a cost of \$390,082,000 with an average term of 52 days. This greater average term to maturity was due to locking in some relatively attractive longer term Provincial issues during the Quarter. In this Quarter last year there was a tendency to shorter term

investments to take advantage of the additional allocation to non-Government investments available after the approval of the changes to the Investment Policy in July 2007.

Actual Operating Fund Investment Income for the Quarter at \$322,000 was below budget of \$613,000. The financial crisis continues to be particularly problematic as rates continue to fall. Staff are currently projecting a negative variance for the year at \$650,000. It is estimated that some \$500,000 of this shortfall is due to the lower interest rate environment. There are some anticipated positive trends in cash flows in the second half of the year but these will be largely offset by the lower interest rate environment.

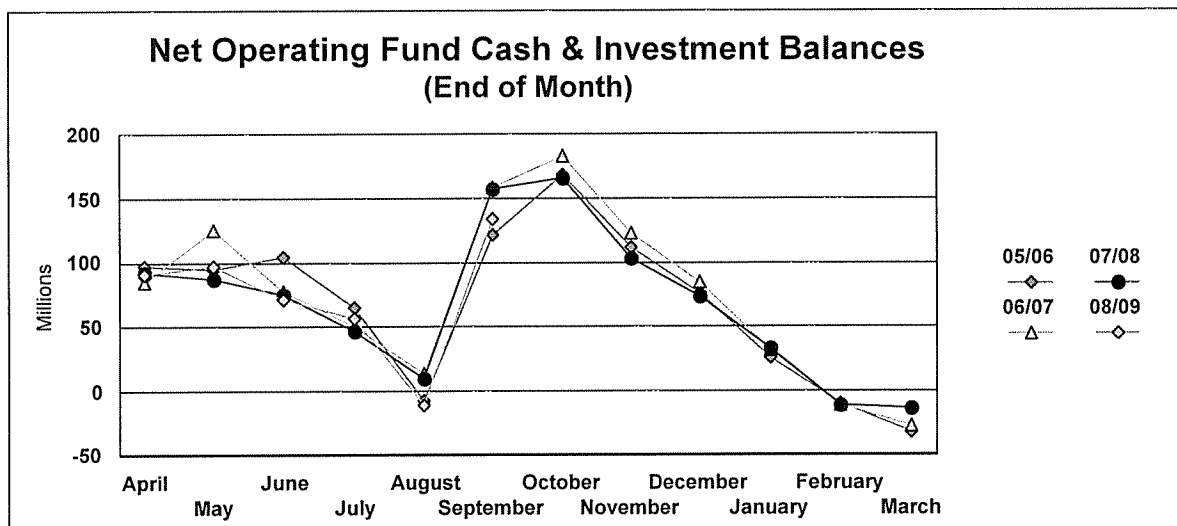
The gross incremental income resulting from last year's change in the Policy is estimated to be \$484,000 to September 30, 2008.

HRM Short Term Bond Pool and Targeted Reserve Fund Investments

There were no bond purchases during the Quarter as the level of rates was not attractive even though spreads over T-Bills were fairly wide at times.

Cash Flows

Net Operating Fund cash flows were below the levels of the past two years as well as below budgeted expectations. Analysis of shortfalls is somewhat incomplete as reporting on revenues is still under development in the new revenue software implemented earlier this year. A somewhat greater than anticipated Fall Debenture issue implies a larger burden on the Operating Fund for providing bridge financing for Capital projects during the Quarter.



As is generally the case when there is a Property Tax due date, cash received after investment operations were concluded for the day resulted in the Royal Bank and Financial Institutions Sector Weights being exceeded. Investments on the next business day brought the Sector Weights back in line with Policy.

Effective Cash in the Royal Bank averaged \$4,155,000 for the Quarter versus a target of \$5,000,000.

Subsequent to End of Reporting Quarter

On October 8 both the Bank of Canada and the U.S. Federal Open Market Committee reduced their target interest rates by 50 bps as part of a coordinated action by many Central Banks around the world. In addition at the regularly scheduled meeting October 21 the Bank of Canada followed up with a further 25 bps rate cut while the U.S. cut an additional 50 bps at its October 29 meeting. This action brought the U.S. rate down to 1% matching the lowest level in the modern era. The Bank of Canada subsequently lowered interest rates at their December 9th meeting by 75 bps marking a 50 year low.

The recent G20 meeting did not produce much in terms of concrete action but was significant in that emerging market countries were invited and there was a commitment for future meetings.

The U.S. has committed in excess of \$8 trillion to rescue the financial system including the bailout of Citi. In total this represents more than half of the U.S. GDP. Estimates of the additional fiscal measures outlined by President-Elect Obama are between \$500 and \$700 billion.

After discussions with the Committee, staff are considering purchases of Government of Canada Real Return Bonds for Trust Funds and Reserves. These bonds offer inflation protection as both the semi-annual coupons and the principal amount are indexed for inflation. While the market is generally predicting low inflation or even deflation in the short run, over the long term Real Return Bonds can be very effective vehicles to enhance purchasing power and smooth out investment income as part of a portfolio approach.

Outlook & Strategy

As the crisis expands from credit and confidence to a more broad economic malaise, the baton will be passed from monetary to fiscal policy. President Elect Obama has indicated a willingness to do whatever it takes to get the economy moving and his major appointments have been greeted warmly by the markets. A new Administration has additional policy flexibility as they don't feel tied to past policies. We are optimistic that the worst economic outcomes will be avoided. However there will be a substantial global economic downturn. Inflation will eventually re-emerge as an issue as Government deficit spending collide with a recovering private sector. The timing of all this is of course the multi trillion dollar question.

In the medium term the financial sector will remain under considerable strain as unemployment rises along with loan loss provisions and further write downs of structured products . A changing regulatory environment emphasizing less leverage and greater transparency could also pressure earnings going forward. At this point it is difficult to predict when a comfort level will be reached to again extend term in the non-Government sector. This will be subject to future consultations with the Committee. There will be some negative impact on returns as a result. However in the view of staff and the Committee this a reasonable tradeoff given the Objectives of the Policy.

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. 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 - The rate of return on HRM investments for the one year period was below the performance target indicated in the Policy. In discussing this with the Committee it was agreed that this performance was understandable and acceptable in the current credit crisis environment and in light of the priority of the Preservation of Capital objective.

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

BUDGET IMPLICATIONS

Staff are currently projecting a shortfall in Operating Fund Investment Income of \$650,000.

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 @ September 30, 2008 (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/agenda.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

**Total Investments
Sector Weights
@ September 30, 2008**

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	70,606,227	21%	332,194,700	100%	261,588,473	79%
Federal Government	Open	57,575,920	17%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	13,030,307	4%				
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	74,268,969	22%	332,194,700	100%	257,925,731	78%
Total Alberta (R-1 High)	Open	35,536,390	11%	83,048,675	25%	47,512,285	14%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	35,536,390					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	9,878,200	3%	83,048,675	25%	73,170,475	22%
Manitoba (R-1 Mid)	Open	0	0%	83,048,675	25%	83,048,675	25%
New Brunswick (R-1 Mid)	Open	0	0%	83,048,675	25%	83,048,675	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			83,048,675	25%	83,048,675	25%
Ontario (R-1 High)	Open	17,042,769	5%	83,048,675	25%	66,005,906	20%
Quebec (R-1 Mid)	Open	11,811,610	4%	83,048,675	25%	71,237,065	21%
Saskatchewan (R-1 Mid)	Open		0%	83,048,675	25%	83,048,675	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		83,048,675	25%	83,048,675	25%
Calgary (R-1 High)	Open			33,219,470	10%	33,219,470	10%
Edmonton (R-1 High)	Open			33,219,470	10%	33,219,470	10%
Financial Institutions & their Guarantees /Corporations		187,319,504	56%	166,097,350	50%	-21,222,154	-6%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	169,906,914	51%	166,097,350	50%	-3,809,564	-1%
Bank of Montreal (R-1 High)	Open	25,046,587	8%	33,219,470	10%	8,172,883	2%
Bank of Nova Scotia (R-1 High)	Open	27,051,495	8%	33,219,470	10%	6,167,975	2%
Canadian Imperial Bank of Commerce (R-1 High)	Open	23,857,050	7%	33,219,470	10%	9,362,420	3%
Royal Bank (R-1 High)	Open	18,690,122	5%	33,219,470	10%	-35,501,559	-11%
Royal Bank - Effective Cash		50,030,907					
Toronto Dominion (R-1 High)	Open	25,230,753	8%	33,219,470	10%	7,988,717	2%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	17,412,590	5%	83,048,675	25%	65,636,085	20%
National Bank of Canada (R-1 Mid)	Open	12,422,790	4%	16,609,735	5%	4,186,945	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	16,609,735	5%	16,609,735	5%
CDP Financial Inc (R-1 High)	Open	0	0%	16,609,735	5%	16,609,735	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	16,609,735	5%	16,609,735	5%
Desjardins Total		4,989,800	2%	16,609,735	5%	11,619,935	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	4,989,800					
Total Cash and Equivalents		332,194,700	100%				
FIXED (Bonds, etc. over one year)		7,041,164	2%				
Federal Government		7,041,164					
Total Fixed		7,041,164					
Equities		6,410					
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		339,242,274					
Interest Bearing Bank Accounts - O/S Cheque Coverage		12,563,770	*				
Total Investments and O/S Cheques Coverage		351,806,044					

SCHEDULE B

Operating Funds
Sector Weights
@ September 30, 2008

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	40,988,096	21%	192,844,580	100%	151,856,484	79%
Federal Government	Open	33,423,785	17%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	7,564,311	4%				
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	43,114,379	22%	192,844,580	100%	149,730,201	78%
Total Alberta (R-1 High)	Open	20,629,469	11%	48,211,145	25%	27,581,676	14%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	20,629,469					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	5,734,460	3%	48,211,145	25%	42,476,685	22%
Manitoba (R-1 Mid)	Open	0	0%	48,211,145	25%	48,211,145	25%
New Brunswick (R-1 Mid)	Open	0	0%	48,211,145	25%	48,211,145	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			48,211,145	25%	48,211,145	25%
Ontario (R-1 High)	Open	9,893,612	5%	48,211,145	25%	38,317,532	20%
Quebec (R-1 Mid)	Open	6,856,837	4%	48,211,145	25%	41,354,308	21%
Saskatchewan (R-1 Mid)	Open		0%	48,211,145	25%	48,211,145	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		48,211,145	25%	48,211,145	25%
Calgary (R-1 High)	Open			19,284,458	10%	19,284,458	10%
Edmonton (R-1 High)	Open			19,284,458	10%	19,284,458	10%
Financial Institutions & their Guarantees /Corporations		108,742,105	56%	96,422,290	50%	-12,319,815	-6%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	98,633,805	51%	96,422,290	50%	-2,211,516	-1%
Bank of Montreal (R-1 High)	Open	14,539,963	8%	19,284,458	10%	4,744,495	2%
Bank of Nova Scotia (R-1 High)	Open	15,703,845	8%	19,284,458	10%	3,580,613	2%
Canadian Imperial Bank of Commerce (R-1 High)	Open	13,849,417	7%	19,284,458	10%	5,435,041	3%
Royal Bank (R-1 High)	Open	10,849,928	21%	19,284,458	10%	-20,609,249	-11%
Royal Bank - Effective Cash		29,043,778					
Toronto Dominion (R-1 High)	Open	14,646,874	8%	19,284,458	10%	4,637,584	2%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	10,108,300	5%	48,211,145	25%	38,102,845	20%
National Bank of Canada (R-1 Mid)	Open	7,211,637	4%	9,642,229	5%	2,430,592	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	9,642,229	5%	9,642,229	5%
CDP Financial Inc (R-1 High)	Open	0	0%	9,642,229	5%	9,642,229	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	9,642,229	5%	9,642,229	5%
Desjardins Total		2,896,662	2%	9,642,229	5%	6,745,567	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	2,896,662					
Total Investments		192,844,580	100%				
Interest Bearing Bank Accounts - O/S Cheque Coverage		12,563,770	*				
Total Investments and O/S Cheques Coverage		205,408,350					

**Capital Funds
Sector Weights
@ September 30, 2008**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	0	0%	0	100%	0	0%
Federal Government	Open	0	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	0	0%	0	100%	0	0%
Total Alberta (R-1 High)	Open	0	0%	0	25%	0	0%
Alberta (R-1 High)	Open	0					
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 High)	Open	0	0%	0	25%	0	0%
Quebec (R-1 Mid)	Open	0	0%	0	25%	0	0%
Saskatchewan (R-1 Mid)	Open	0	0%	0	25%	0	0%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		0	25%	0	0%
Calgary (R-1 High)	Open			0	10%	0	0%
Edmonton (R-1 High)	Open			0	10%	0	0%
Financial Institutions & their Guarantees /Corporations		0	0%	0	50%	0	0%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	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	Open	0	0%	0	10%	0	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
@ September 30, 2008**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	28,964,962	21%	136,277,027	100%	107,312,066	79%
Federal Government	Open	23,619,508	17%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp	Open	5,345,454	4%				
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	30,467,537	22%	136,277,027	100%	105,809,490	78%
Total Alberta (R-1 High)	Open	14,578,178	11%	34,069,257	25%	19,491,078	14%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	14,578,178					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	4,052,358	3%	34,069,257	25%	30,016,899	22%
Manitoba (R-1 Mid)	Open	0	0%	34,069,257	25%	34,069,257	25%
New Brunswick (R-1 Mid)	Open	0	0%	34,069,257	25%	34,069,257	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			34,069,257	25%	34,069,257	25%
Ontario (R-1 High)	Open	6,991,496	5%	34,069,257	25%	27,077,761	20%
Quebec (R-1 Mid)	Open	4,845,505	4%	34,069,257	25%	29,223,752	21%
Saskatchewan (R-1 Mid)	Open		0%	34,069,257	25%	34,069,257	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		34,069,257	25%	34,069,257	25%
Calgary (R-1 High)	Open			13,627,703	10%	13,627,703	10%
Edmonton (R-1 High)	Open			13,627,703	10%	13,627,703	10%
Financial Institutions & their Guarantees /Corporations		76,844,529	56%	68,138,514	50%	-8,706,015	-6%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	Canadian Banks R-1 Mid	69,701,320	51%	68,138,514	50%	-1,562,807	-1%
Bank of Montreal (R-1 High)	Open	10,274,921	8%	13,627,703	10%	3,352,781	2%
Bank of Nova Scotia (R-1 High)	Open	11,097,400	8%	13,627,703	10%	2,530,303	2%
Canadian Imperial Bank of Commerce (R-1 High)	Open	9,786,935	7%	13,627,703	10%	3,840,768	3%
Royal Bank (R-1 High)	Open	7,667,294	21%	13,627,703	10%	-14,563,890	-11%
Royal Bank - Effective Cash		20,524,299					
Toronto Dominion (R-1 High)	Open	10,350,472	8%	13,627,703	10%	3,277,231	2%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	7,143,208	5%	34,069,257	25%	26,926,048	20%
National Bank of Canada (R-1 Mid)	Open	5,096,231	4%	6,813,851	5%	1,717,620	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	6,813,851	5%	6,813,851	5%
CDP Financial Inc (R-1 High)	Open	0	0%	6,813,851	5%	6,813,851	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	6,813,851	5%	6,813,851	5%
Desjardins Total		2,046,978	2%	6,813,851	5%	4,766,874	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	2,046,978					
Total Cash and Equivalents		136,277,027	100%				
FIXED (Bonds, etc. over one year)		6,986,989	5%				
Federal Government		6,986,989					
Total Fixed		6,986,989					
Total Investments		143,264,016					

**Trust Funds
Sector Weights
@ September 30, 2008**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	653,170	21%	3,073,093	100%	2,419,923	79%
Federal Government	Open	532,628	17%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	120,542	4%				
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	687,053	22%	3,073,093	100%	2,386,040	78%
Total Alberta (R-1 High)	Open	328,743	11%	768,273	25%	439,530	14%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	328,743					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	91,382	3%	768,273	25%	676,891	22%
Manitoba (R-1 Mid)	Open	0	0%	768,273	25%	768,273	25%
New Brunswick (R-1 Mid)	Open	0	0%	768,273	25%	768,273	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			768,273	25%	768,273	25%
Ontario (R-1 High)	Open	157,661	5%	768,273	25%	610,613	20%
Quebec (R-1 Mid)	Open	109,268	4%	768,273	25%	659,005	21%
Saskatchewan (R-1 Mid)	Open			768,273	25%	768,273	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		768,273	25%	768,273	25%
Calgary (R-1 High)	Open			307,309	10%	307,309	10%
Edmonton (R-1 High)	Open			307,309	10%	307,309	10%
Financial Institutions & their Guarantees /Corporations		1,732,870	56%	1,536,547	50%	-196,324	-6%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	Canadian Banks R-1 Mid	1,571,788	51%	1,536,547	50%	-35,242	-1%
Bank of Montreal (R-1 High)	Open	231,703	8%	307,309	10%	75,606	2%
Bank of Nova Scotia (R-1 High)	Open	250,250	8%	307,309	10%	57,059	2%
Canadian Imperial Bank of Commerce (R-1 High)	Open	220,699	7%	307,309	10%	86,611	3%
Royal Bank (R-1 High)	Open	172,900	21%	307,309	10%	-328,421	-11%
Royal Bank - Effective Cash		462,830					
Toronto Dominion (R-1 High)	Open	233,407	8%	307,309	10%	73,903	2%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	161,082	5%	768,273	25%	607,192	20%
National Bank of Canada (R-1 Mid)	Open	114,922	4%	153,655	5%	38,733	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	153,655	5%	153,655	5%
CDP Financial Inc (R-1 High)	Open	0	0%	153,655	5%	153,655	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	153,655	5%	153,655	5%
Desjardins Total		46,160	2%	153,655	5%	107,495	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	46,160					
Total Cash and Equivalents		3,073,093	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		3,133,678					

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	July 6.1%, Aug. 6.1%, Sept. 6.1%	July 5.7%, Aug. 6.1%, Sept. 6.1%
Jobs Created / (Lost) (‘000’s)	July (55.2), Aug. 15.2, Sept. 106.9	July (51,000), Aug. (84,000), Sept. (159,000)
CPI (year over year)	July 3.4%, Aug. 3.5%, Sept. 3.4%	July 5.6%, Aug. 5.4%, Sept. 4.9%
CPI-X (Core) (year over year)	July 1.5%, Aug. 1.7%, Sept. 1.7%	July 2.5%, Aug. 2.5%, Sept. 2.5%
GDP Q2	1.3%	(0.3%) A

Central Bank Activities July 1 to Sept. 30, 2008

- July 15 Bank of Canada holds rate at 3.00%, Bias Neutral
- August 5 U.S. Federal Open Market Committee holds rate at 2.00%, Bias Neutral
- September 3 Bank of Canada holds rate at 3.00%, Bias Neutral
- September 16 U.S. Federal Open Market Committee holds rate at 2.00%, Bias Neutral

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.