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Item No. 5

**Halifax Regional Council
March 10, 2009**

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 

Cathie O'Toole, CGA, Director of Finance

DATE: March 6, 2009

SUBJECT: Investment Activities - Quarter Ending December 31, 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 December 31, 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 December 31, 2008:

Money Market Funds	3 Months (to Dec. 31, 2008)	1 Year (to Dec. 31, 2008)
5 th Percentile	1.01%	4.06%
1 st Quartile	0.81%	3.72%
Mercer Median	0.71%	3.51%
3 rd Quartile	0.61%	3.33%
95 th Percentile	0.36%	2.47%
DEX 91 Day T-Bills	0.72%	3.33%
HRM	0.67%	3.29%

HRM relative performance for the Quarter was well within the 3rd Quartile but 4th Quartile for the year. This relative performance has been discussed with Committee and the consensus has been that it is understandable and acceptable given the conservative nature of the HRM Investment Policy and current credit market conditions. The wide spreads between the top and bottom performing funds in the Survey indicate that higher rates of return can be had at higher risk levels. Based on previous discussions with Mercer staff, the spread between the Mercer Median and HRM returns for the year is in line with what may be charged for management fees. As a result HRM relative performance is back in full compliance with the Investment Policy rate of return Objective.

The Quarter saw 99 investments made at a cost of \$364,751,826 with an average term to maturity of 73 days. This compares to last year's 3rd Quarter at 108 investments made at a cost of \$361,637,000 with an average term of 78 days. A somewhat similar strategy was used this Quarter as was used in the same Quarter last year, with the rolling over of investments in the Non-Government Sector to meet cash requirements and taking longer term Government investments to lock in yield. There was an additional emphasis on the 181 to 365 day term with the prospect of nowhere to go but down for interest rates. Near the end of the quarter the rate of return on Non-Government instruments was less than the rate that could be achieved in the HRM

bank account. This accounted for the decrease in investment activity as it was more beneficial to leave as much cash as possible in the bank and only invest when necessary to meet the requirements of the Investment Policy. This unusual situation was as a result of the Commercial Banks only cutting their Prime Rates by .50% after the Bank of Canada cut rates by .75% December 9.

Operating Fund Investment Income for the Quarter was \$1,032,000 versus a budget of \$1,210,000. Current projections continue to anticipate a shortfall for the year of approximately \$660,000.

The current level of rates available in the market has dropped to less than a third of the budgeted rate of return of 3.55%. Longer term Government investments made earlier in the year will continue to support the HRM rate of return which is anticipated to be 2.75% for the year. However, once new cash becomes available from the April Property Tax Billing the rate of return will drop dramatically as more investments at these lower rates supplant the existing portfolio. Maturities of the higher yielding investments will also contribute to a sharp drop in yield. Staff are currently budgeting a rate of return for the 2009/10 fiscal year of 1.03% and Operating Fund Investment Income of \$715,000.

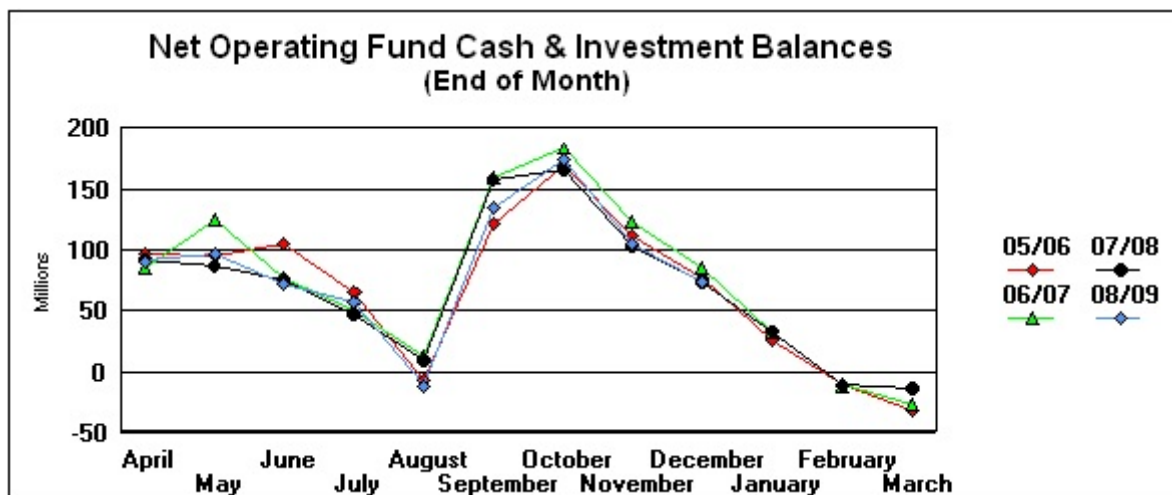
The additional gross income to be earned on investments made to the end of the reporting Quarter from the change in the Investment Policy in 2007 is now calculated to be \$653,758.

HRM Short Term Bond Pool and Targeted Reserve Fund Investments

There were no additions to the Short Term Bond Pool during the Quarter as levels were not attractive.

Cash Flows

After some adjustments for Reserve funding of Capital Projects were processed, month end net Operating Fund balances were in line with the levels of the previous year. However, this masks a somewhat weaker cash flow trend as \$7.8 million was received in the late October debenture issue to re-finance a balloon payment December 1. On the plus side what would normally have been the January 1 Payroll was paid December 31 because of contractual commitments and is reflected in these figures. Analysis continues to be somewhat hampered by a lack of reporting from the new Revenue System.



Effective Cash in the Royal Bank averaged \$7,401,000 during the Quarter versus the usual target of \$5,000,000. As discussed earlier in this report, in December when the Bank of Canada reduced their rates by .75% the Commercial Banks only cut their Prime Rates by .50%. As a result the interest rate offered by the HRM banker was higher than prevailing rates available in the market. This cash management performance metric has been turned upside down with a high cash balance becoming more desirable.

Subsequent to End of Reporting Quarter

The Bank of Canada reduced rates by an additional .50% to 1.00% at their regular meeting January 20. The Monetary Policy Report that followed on January 22 provided for a gloomier outlook for 2009 than the previous report including two Quarters of negative CPI inflation. This latter point will factor into the timing of the purchase of Government of Canada Real Return Bonds as discussed previously with the Committee. Notably the Bank of Canada is forecasting a more robust recovery in 2010 than many private sector economists.

Governor Carney spoke in Halifax January 27 where, as expected, he kept close to the script dictated by the Monetary Policy Report. He did, however, emphasize the Bank of Canada's belief that a period of deflation was highly unlikely. It was very useful to see Governor Carney speak live and then read the subsequent analysis. Often it appears that the interpretation of Bank of Canada speeches and statements are unduly influenced by the analyst's own forecasts.

As another reality check of these interesting times, the Bank of England recently cut interest rates to the lowest level in its history going back to 1694. Bloomberg reports that the U.S. Government alone has made commitments of \$9.7 trillion towards solving the financial crisis. They report that since September 15 the value of the world's corporations has declined by 33 percent or \$14.5 trillion. Nearly one in six U.S. homeowners with mortgages owed more than the current market value of their homes.

La Presse is reporting that the Caisse de depot et placement du Quebec (CDP) will report a "staggering" loss of \$38 billion for 2008 or a decline 26%. This includes only a \$4 billion write down of their \$12.6 billion holdings of frozen Canadian Asset Backed Commercial Paper. While CDP is a permissible Tier 2 entity

under the Investment Policy, we have been out of this name since July as we favor institutions with more direct access to liquidity from the Bank of Canada. From discussions with brokers CDP continues to raise funds in the Money Market at rates competitive with the Big 6 Canadian Bank short term instruments.

The January employment report for Canada saw job losses of 129,000 which was triple the level anticipated. The Unemployment Rate also moved up sharply from 6.6% to 7.2%. The U.S. reported job losses of 598,000 in January bringing reported job losses to 3.6 million since the recession officially began in December 2007.

On February 10 U.S. Treasury Secretary Geithner outlined the new Administration's plans to address the credit crisis. U.S. Equity Markets were unimpressed with the lack of detail and sold off by 5%.

Outlook & Strategy

It seems to be coming down to a case of the immovable object versus the irresistible force. On the one hand there is the global synchronized recession on the back of a credit crisis of staggering proportions with writedowns of U.S. originated debt anticipated by the IMF to be some \$2.2 trillion. There has been an enormous loss of wealth as equity markets and house prices continue to decline. This is being countered by unprecedented Monetary and Fiscal Policy measures around the world.

Should Governments fail to quickly restore confidence and positive economic momentum then corrosive deflation, protectionism and civil unrest will likely follow. The latter is a particularly significant risk in China with the spillover effects unknown. Should Governments be 'too successful' then serious global inflation would likely be the result. While a certain amount of inflation may be welcome to lift asset values and monetize Government debts, stopping an inflationary spiral can also be painful economically. However given the choice between deflation and inflation, most Central Bankers would prefer the latter as they at least have a play book for this versus the 'make it up as you go along' approach to the much more unfamiliar phenomena of deflation. Needless to say our crystal ball is no better than anyone else's. We may be characterized as hoping for the best while preparing for the worst.

Having taken advantage of attractive opportunities in the Fall to lock in Government yields in the longer term and with the Money Market Portfolio going through its seasonal contraction phase, Non-Government investments have been well below the limits of the Investment Policy. We will continue to emphasize investments in the Non-Government Sector to match to cash requirements and keep the maximum term of these investments to the one to one and a half month area as previously discussed with the Committee to preserve flexibility in these uncertain times. We will await the development of market conditions in April when we will see an influx of cash from the Property Tax billing to better determine strategy at that time.

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 was below median for the year ending December 31 on a before fee basis but on an after estimated fee basis the rate of return was in line with the Mercer Median.

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 \$660,000.

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 @ December 31, 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/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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**Total Investments
Sector Weights
@ December 31, 2008**

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees							
Federal Government	Open	61,717,110	26%	238,690,548	100%	176,973,438	74%
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							
Total Alberta (R-1 High)	R-1 Mid or Greater	114,112,378	48%	238,690,548	100%	124,578,170	52%
Alberta (R-1 High)	Open	16,685,750	7%	59,672,637	25%	42,986,887	18%
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	16,685,750					
British Columbia (R-1 High)	Open	0					
Manitoba (R-1 Mid)	Open	38,793,737	16%	59,672,637	25%	20,878,900	9%
New Brunswick (R-1 Mid)	Open	0	0%	59,672,637	25%	59,672,637	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0	0%	59,672,637	25%	59,672,637	25%
Ontario (R-1 High)	Open	32,938,341	14%	59,672,637	25%	26,734,296	11%
Quebec (R-1 Mid)	Open	25,694,550	11%	59,672,637	25%	33,978,087	14%
Saskatchewan (R-1 Mid)	Open		0%	59,672,637	25%	59,672,637	25%
Municipal Governments & their Guarantees*							
Calgary (R-1 High)	R-1 Mid or Greater	0		59,672,637	25%	59,672,637	25%
Edmonton (R-1 High)	Open			23,869,055	10%	23,869,055	10%
	Open			23,869,055	10%	23,869,055	10%
Financial Institutions & their Guarantees /Corporations							
	BA's Schedule A	62,861,060	26%	119,345,274	50%	56,484,214	24%
Tier 1 - Financial Institutions & their Guarantees							
Bank of Montreal (R-1 High)	Canadian Banks R-1	51,869,910	22%	119,345,274	50%	67,475,364	28%
Bank of Nova Scotia (R-1 High)	Mid	10,988,390	5%	23,869,055	10%	12,880,665	5%
Canadian Imperial Bank of Commerce (R-1 High)	Open	18,962,852	8%	23,869,055	10%	4,906,203	2%
Royal Bank (R-1 High)	Open	14,287,045	6%	23,869,055	10%	9,582,010	4%
Royal Bank - Effective Cash	Open	4,992,450	3%	23,869,055	10%	16,237,432	7%
Toronto Dominion (R-1 High)	Open	2,639,173					
	Open	0	0%	23,869,055	10%	23,869,055	10%
Tier 2 - Financial Institutions & Corporations							
National Bank of Canada (R-1 Mid)	R-1 Mid/High***	10,991,150	5%	59,672,637	25%	48,681,487	20%
OMERS Realty Corporation (R-1 High)	Open	6,995,950	3%	11,934,527	5%	4,938,577	2%
CDP Financial Inc (R-1 High)	Open	0	0%	11,934,527	5%	11,934,527	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	11,934,527	5%	11,934,527	5%
Desjardins Total	Open	0	0%	11,934,527	5%	11,934,527	5%
Desjardins Group (R-1 High)	Open	3,995,200	2%	11,934,527	5%	7,939,327	3%
Caisse Centale Desjardins (R-1 High)	Open	0					
	Open	3,995,200					
Total Cash and Equivalents		238,690,548	100%				
FIXED (Bonds, etc. over one year)							
Federal Government		7,042,745	3%				
Total Fixed		7,042,745					
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		245,739,703					
Interest Bearing Bank Accounts - O/S Cheque Coverage		20,187,828	*				
Total Investments and O/S Cheques Coverage		265,927,531					

**Operating Funds
Sector Weights
@ December 31, 2008**

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	30,373,717	26%	117,470,167	100%	87,096,450	74%
Federal Government	Open	30,373,717	26%				
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	56,159,744	48%	117,470,167	100%	61,310,423	52%
Total Alberta (R-1 High)	Open	8,211,795	7%	29,367,542	25%	21,155,747	18%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	8,211,795					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	19,092,112	16%	29,367,542	25%	10,275,429	9%
Manitoba (R-1 Mid)	Open	0	0%	29,367,542	25%	29,367,542	25%
New Brunswick (R-1 Mid)	Open	0	0%	29,367,542	25%	29,367,542	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			29,367,542	25%	29,367,542	25%
Ontario (R-1 High)	Open	16,210,413	14%	29,367,542	25%	13,157,129	11%
Quebec (R-1 Mid)	Open	12,645,424	11%	29,367,542	25%	16,722,118	14%
Saskatchewan (R-1 Mid)	Open		0%	29,367,542	25%	29,367,542	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		29,367,542	25%	29,367,542	25%
Calgary (R-1 High)	Open			11,747,017	10%	11,747,017	10%
Edmonton (R-1 High)	Open			11,747,017	10%	11,747,017	10%
Financial Institutions & their Guarantees /Corporations		30,936,706	26%	58,735,084	50%	27,798,378	24%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	25,527,475	22%	58,735,084	50%	33,207,609	28%
Bank of Montreal (R-1 High)	Open	5,407,872	5%	11,747,017	10%	6,339,144	5%
Bank of Nova Scotia (R-1 High)	Open	9,332,457	8%	11,747,017	10%	2,414,559	2%
Canadian Imperial Bank of Commerce (R-1 High)	Open	7,031,286	6%	11,747,017	10%	4,715,730	4%
Royal Bank (R-1 High)	Open	2,457,005 }	3%	11,747,017	10%	7,991,158	7%
Royal Bank - Effective Cash		1,298,854 }					
Toronto Dominion (R-1 High)	Open	0	0%	11,747,017	10%	11,747,017	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	5,409,231	5%	29,367,542	25%	23,958,311	20%
National Bank of Canada (R-1 Mid)	Open	3,443,016	3%	5,873,508	5%	2,430,492	2%
OMERS Realty Corporation (R-1 High)	Open	0	0%	5,873,508	5%	5,873,508	5%
CDP Financial Inc (R-1 High)	Open	0	0%	5,873,508	5%	5,873,508	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	5,873,508	5%	5,873,508	5%
Desjardins Total		1,966,214	2%	5,873,508	5%	3,907,294	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,966,214					
Total Investments		117,470,167	100%				
Interest Bearing Bank Accounts - O/S Cheque Coverage		20,187,828	*				
Total Investments and O/S Cheques Coverage		137,657,995					

**Capital Funds
Sector Weights
@ December 31, 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	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		0	10%	0	0%
Edmonton (R-1 High)	Open	0		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		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, 2008**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	30,492,496	26%	117,929,545	100%	87,437,048	74%
Federal Government	Open	30,492,496	26%				
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	56,379,362	48%	117,929,545	100%	61,550,183	52%
Total Alberta (R-1 High)	Open	8,243,908	7%	29,482,386	25%	21,238,478	18%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	8,243,908					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	19,166,774	16%	29,482,386	25%	10,315,612	9%
Manitoba (R-1 Mid)	Open	0	0%	29,482,386	25%	29,482,386	25%
New Brunswick (R-1 Mid)	Open	0	0%	29,482,386	25%	29,482,386	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			29,482,386	25%	29,482,386	25%
Ontario (R-1 High)	Open	16,273,805	14%	29,482,386	25%	13,208,581	11%
Quebec (R-1 Mid)	Open	12,694,875	11%	29,482,386	25%	16,787,512	14%
Saskatchewan (R-1 Mid)	Open		0%	29,482,386	25%	29,482,386	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		29,482,386	25%	29,482,386	25%
Calgary (R-1 High)	Open			11,792,954	10%	11,792,954	10%
Edmonton (R-1 High)	Open			11,792,954	10%	11,792,954	10%
Financial Institutions & their Guarantees /Corporations		31,057,686	26%	58,964,772	50%	27,907,086	24%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	Canadian Banks R-1 Mid	25,627,302	22%	58,964,772	50%	33,337,470	28%
Bank of Montreal (R-1 High)	Open	5,429,020	5%	11,792,954	10%	6,363,934	5%
Bank of Nova Scotia (R-1 High)	Open	9,368,953	8%	11,792,954	10%	2,424,002	2%
Canadian Imperial Bank of Commerce (R-1 High)	Open	7,058,783	6%	11,792,954	10%	4,734,172	4%
Royal Bank (R-1 High)	Open	2,466,614	3%	11,792,954	10%	8,022,408	7%
Royal Bank - Effective Cash		1,303,933					
Toronto Dominion (R-1 High)	Open	0	0%	11,792,954	10%	11,792,954	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	5,430,384	5%	29,482,386	25%	24,052,002	20%
National Bank of Canada (R-1 Mid)	Open	3,456,480	3%	5,896,477	5%	2,439,997	2%
OMERS Realty Corporation (R-1 High)	Open	0	0%	5,896,477	5%	5,896,477	5%
CDP Financial Inc (R-1 High)	Open	0	0%	5,896,477	5%	5,896,477	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	5,896,477	5%	5,896,477	5%
Desjardins Total		1,973,904	2%	5,896,477	5%	3,922,574	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,973,904					
Total Cash and Equivalents		117,929,545	100%				
FIXED (Bonds, etc. over one year)							
Federal Government		6,988,570	6%				
Total Fixed		6,988,570					
Total Investments		124,918,115					

**Trust Funds
Sector Weights
@ December 31, 2008**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	850,896	26%	3,290,836	100%	2,439,940	74%
Federal Government	Open	850,896	26%				
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	1,573,272	48%	3,290,836	100%	1,717,564	52%
Total Alberta (R-1 High)	Open	230,047	7%	822,709	25%	592,662	18%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	230,047					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	534,851	16%	822,709	25%	287,858	9%
Manitoba (R-1 Mid)	Open	0	0%	822,709	25%	822,709	25%
New Brunswick (R-1 Mid)	Open	0	0%	822,709	25%	822,709	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			822,709	25%	822,709	25%
Ontario (R-1 High)	Open	454,122	14%	822,709	25%	368,587	11%
Quebec (R-1 Mid)	Open	354,252	11%	822,709	25%	468,457	14%
Saskatchewan (R-1 Mid)	Open		0%	822,709	25%	822,709	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		822,709	25%	822,709	25%
Calgary (R-1 High)	Open			329,084	10%	329,084	10%
Edmonton (R-1 High)	Open			329,084	10%	329,084	10%
Financial Institutions & their Guarantees /Corporations		866,668	26%	1,645,418	50%	778,750	24%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	Canadian Banks R-1 Mid	715,133	22%	1,645,418	50%	930,286	28%
Bank of Montreal (R-1 High)	Open	151,497	5%	329,084	10%	177,586	5%
Bank of Nova Scotia (R-1 High)	Open	261,442	8%	329,084	10%	67,642	2%
Canadian Imperial Bank of Commerce (R-1 High)	Open	196,976	6%	329,084	10%	132,108	4%
Royal Bank (R-1 High)	Open	68,831	3%	329,084	10%	223,866	7%
Royal Bank - Effective Cash		36,386					
Toronto Dominion (R-1 High)	Open	0	0%	329,084	10%	329,084	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	151,535	5%	822,709	25%	671,174	20%
National Bank of Canada (R-1 Mid)	Open	96,453	3%	164,542	5%	68,088	2%
OMERS Realty Corporation (R-1 High)	Open	0	0%	164,542	5%	164,542	5%
CDP Financial Inc (R-1 High)	Open	0	0%	164,542	5%	164,542	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	164,542	5%	164,542	5%
Desjardins Total		55,082	2%	164,542	5%	109,460	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	55,082					
Total Cash and Equivalents		3,290,836	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		3,351,421					

Economic Statistics

	Canada	US
Unemployment Rate	Oct. 6.2%, Nov. 6.3%, Dec. 6.6%	Oct. 6.6%, Nov. 6.8%, Dec. 7.2%
Jobs Created / (Lost) ('000's)	Oct. 9.5, Nov. (70.6), Dec. (34.4)	Oct. (423), Nov (584), Dec (524)
CPI (year over year)	Oct. 2.6%, Nov. 2.0%, Dec. 1.2%	Oct. 3.7% , Nov. 1.1%, Dec. 0.1%
CPI-X (Core) (year over year)	Oct. 1.7%, Nov. 2.4%, Dec. 2.4%	Oct. 2.2% , Nov. 2.0%, Dec. 1.8%
GDP Q4	TBA	(3.8%) A

Central Bank Activities October 1 to December 31, 2008

- October 8 Banks of Canada lowers rate by .50% to 2.50% and U.S. Federal Open Market Committee lowers rate by .50% to 1.50% as part of Co-ordinated Central Bank actions
 - October 21 Bank of Canada lowers rate .25% to 2.25%, Bias Easing
 - October 29 U.S. Federal Open Market Committee lowers rate by .50% to 1.00%, Bias Easing
 - December 9 Bank of Canada lowers rate by .75% to 1.50% (notably the Commercial Banks reduce their Prime Rates by only .50), Bias Easing
 - December 16 U.S. Federal Open Market Committee sets a Target Range of 0% to .25%
-

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

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.