



PO Box 1749  
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**Item No. 6**

**Halifax Regional Council  
June 30, 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:** June 26, 2009

**SUBJECT:** Investment Activities - Quarter Ending March 31, 2009

### **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 March 31, 2009 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 March 31, 2009:

Money Market Funds	3 Months (to March 31, 2009)	1 Year (to March. 31, 2009)
5 <sup>th</sup> Percentile	0.57%	3.12%
1 <sup>st</sup> Quartile	0.51%	3.01%
Mercer Median	0.41%	2.79%
3 <sup>rd</sup> Quartile	0.34%	2.59%
95 <sup>th</sup> Percentile	0.21%	1.82%
DEX 91 Day T-Bills	0.33%	2.41%
<b>HRM</b>	<b>0.51%</b>	<b>2.75%</b>

HRM relative performance showed a marked improvement in the Quarter despite a persistence in wide spreads between the top and bottom performing Funds in the Mercer Survey. Staff believe these wide spreads are indicative of the greater yield available on instruments of greater credit risk such as Commercial Paper and Asset Backed Securities. The HRM credit risk profile has actually become more restrained in this highly uncertain environment and relative performance had been suffering accordingly. Because of the conservative nature of the HRM Investment Policy, staff believe it is probably more important to explain relative performance when it is good rather than when relative performance lags the Mercer Survey.

A 'tortoise and the hare' approach to trading, liquidity management and positions taken on the future direction of interest rates are behind the current HRM rate of return. While many Funds covered by the Mercer Survey actively trade their positions in anticipation of future interest rate moves, staff tend to hold positions to maturity and will usually only sell an investment if it can generate a gain on sale as well as be replaced with an instrument of equal or higher yield. Otherwise the sale of an investment can serve to merely move income from one period to another without any net gain. With the relative priority of Liquidity in the HRM Investment Objectives, many maturities are timed to meet anticipated future cash requirements. In the

Funds covered by the Mercer Survey, clients can request cash from these Funds on a daily basis with these Funds often having to sell positions to meet these cash calls. Staff believe not having to make forced sales because of HRM's liquidity management practices gives an advantage that can help offset the greater yield offered by investments of lower credit quality often held by other Funds. Staff have also been active in locking in yield in the declining interest rate environment by buying longer dated instruments. In summary, the interest rate risk that staff have taken as well as the holding of these positions to maturity appear to be offsetting the generally greater level of credit risk taken by the Funds covered by the Mercer Survey. Fee savings on externally managed Funds and absolute control over investments held are additional bonuses.

The Quarter saw 36 investments made at a cost of \$121,916,000 with an average term to maturity of 104 days. This compares to last year's 4th Quarter of 89 investments made at a cost of \$247,000,000 with an average term of 53 days. This Quarter saw a significant reduction in investment activity as well as an increase in the term to maturity of investments compared to last year's 4<sup>th</sup> Quarter. The decrease in activity is primarily due to the rates available in the Financial Institutions Sector being lower than what could be earned in the HRM bank account. Investments were generally only being made when Sector Weight limits of the Investment Policy that encompass the HRM bank account were reached. The long end of the Money Market yield curve offered a relatively attractive yield so this term was emphasized when not covering short term cash needs. Staff have continued to avoid non-bank names in the Non-Government Sector.

The Sector Weight guidelines were temporarily exceeded for the Province of British Columbia and the Royal Bank during the Quarter. Staff reviewed these occurrences with the Committee and there was unanimous agreement that they did not represent any material additional risk.

The incremental gross income earned on investments made to the end of the Quarter as a result of the change in the Investment Policy in 2007 was \$659,000. This is little changed over the previous Quarter as the investment strategy pursued did not seek to maximize the Non-Government Sector and hence much of the additional allocation to Non-Government investments allowed under the Policy change was not used.

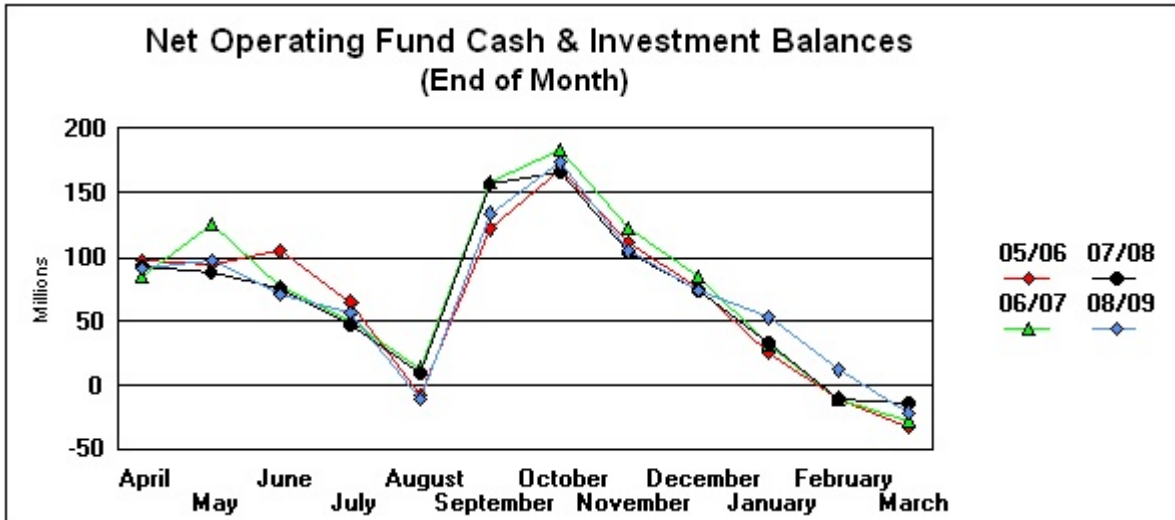
The HRM Money Market Pool had a rate of return of 2.75% versus a budgeted return of 3.55% for the year. The unprecedented actions taken by Central Bankers to combat the credit and economic issues have certainly taken their toll on investment yields. Subject to year end adjustments, Operating Fund Investment Income for the year was \$2,146,700 versus a budget of \$2,680,000 for a negative variance of \$533,300. Analysis indicates that 91% of this negative variance was due to interest rates and 9% due to cash flows.

### 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

There were some positive cash flow developments during the Quarter with a large payment by the Government of Canada for Harbour Solutions cost sharing as well as some payments by the Halifax Regional Water Commission (HRWC) to HRM. In addition, on March 31 some \$37 million was received for Transit Funding and the Federal Gas Tax Transfer. Unfortunately, interest rates had reached such low levels that the Investment Income impacts were fairly muted.



The balances shown in the Graph below exclude the Associations, Boards and Commissions (ABC's) while they are included in the Sector Weight Schedules. As a result, the Operating Fund Sector Weight Schedule attached shows a positive balance while the Graph would suggest otherwise. The negative balance at March 31 is consistent with previous years and is largely the result of the Operating Fund providing bridge financing to Capital Projects.

Because of the relative attractiveness of the yield on the HRM bank account one of the usual performance indicators has been turned upside down. Normally staff would be seeking to keep the cash balance in the bank at a minimum to meet liquidity requirements. A target balance of \$5,000,000 had been used. However, since mid-December when the Commercial Banks did not implement the full reduction in rates made by the Bank of Canada the previous relationship between the interest rate on the bank account and short term Money Market instruments changed in favor of the bank account. As a result staff have been targeting to keep the cash balance in the bank near the maximum under the Sector Weight guidelines of the Policy. To measure this staff have calculated the average maximum Royal Bank exposure under the Policy for the Quarter and compared it to the average actual effective cash balance. The average cash level in the Quarter was at 91% of the amounts allowed under the Policy. It should be noted that staff will occasionally draw down from the maximum cash balance to take advantage of market opportunities as well as cover cash needs.

Subsequent to End of Reporting Quarter

The Bank of Canada cut rates to the lower bound of .25% on April 21 and made a conditional commitment to hold rates at this level to the end of June 2010, subject to the inflation outlook. Such a 'promise' is unprecedented in Canadian Monetary Policy. In the Monetary Policy Report of April 23 the Bank downgraded its outlook for future growth and inflation. They also laid out the framework they would use should Credit and / or Quantitative Easing become necessary while stating that their base case scenario didn't contemplate actual implementation.

The unfortunate saga of the Canadian non-Bank Asset Backed Commercial Paper market took another cruel turn. Only \$400,000 was available to make the first interest payment on the new long term notes on April 22 compared to the \$10.8 million of interest due. Some of the banks backing the notes are also owed commitment fees of \$2.62 million according to press reports.

U.S. Bank stress test results were released May 7 after numerous leaks and negotiations between Regulators and the banks. Of the 19 banks tested 10 were asked to raise a total of \$74.6 billion in new equity.

Canadian banks reported on the Quarter ending April 30 at the end of May. Relative to U.S. and global peers the results were reasonably positive. While Royal Bank reported its first Quarterly loss since 1993 it was fairly modest at \$0.07 per share and largely reflected a previously announced write down of U.S. assets. CIBC also reported a small loss for the Quarter on write downs. All the other Big 6 banks reported profits despite making substantial increases to loan loss provisions.

Recently the HRM investment program reached a milestone surpassing \$6 billion in investment transactions since the Investment Policy was adopted.

### Outlook & Strategy

In terms of outlook, the immovable object versus the irresistible force remains the best analogy. A mountain of toxic assets, a worsening credit cycle and a synchronized global recession with the threat of a flu pandemic are confronted by an unprecedented Fiscal and Monetary Policy response. In the U.S. alone measures announced to date total \$12.8 trillion or 90% of 2008 GDP. Staff are cautiously optimistic that these efforts will be successful in at least producing a mild economic recovery. However a potential resurgence in inflation and inflation expectations could further complicate Policy decisions increasing the risk that Policy measures could abort an economic recovery.

The commitment by the Bank of Canada to keep rates at the current historically low level to the end of June 2010 has so far failed to flatten the short term yield curve. Staff are taking advantage of opportunities to lock in yield in the six to twelve month term in Government issues when yields back up while maintaining the bank account near the maximum level. When rates in the six to twelve month term are not attractive and the bank account is at maximum, staff will invest to cover off short term cash needs.

### 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.

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Competitive Return on Investments - The rate of return was slightly below median for the year ending March 31 on a before fee basis but on an after estimated fee basis the rate of return was in excess of the Mercer Median.

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

### **BUDGET IMPLICATIONS**

Subject to year end adjustments, an Operating Fund Investment Income shortfall of \$533,300.00 is anticipated.

### **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 @ March 31, 2009 (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  
@ March 31, 2009**

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>							
Federal Government	Open	25,566,550	14%	180,819,001	100%	155,252,451	86%
Business Development Bank	Open	25,566,550	14%				
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%				
<b>Provincial Governments &amp; their Guarantees</b>							
Total Alberta (R-1 High)	R-1 Mid or Greater	109,254,639	60%	180,819,001	100%	71,564,362	40%
Alberta (R-1 High)	Open	28,654,370	16%	45,204,750	25%	16,550,380	9%
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	24,658,290					
British Columbia (R-1 High)	Open	3,996,080					
Manitoba (R-1 Mid)	Open	25,157,829	14%	45,204,750	25%	20,046,921	11%
New Brunswick (R-1 Mid)	Open	0	0%	45,204,750	25%	45,204,750	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0	0%	45,204,750	25%	45,204,750	25%
Ontario (R-1 High)	Open	33,030,548	18%	45,204,750	25%	12,174,202	7%
Quebec (R-1 Mid)	Open	22,411,892	12%	45,204,750	25%	22,792,858	13%
Saskatchewan (R-1 Mid)	Open	0	0%	45,204,750	25%	45,204,750	25%
<b>Municipal Governments &amp; their Guarantees*</b>							
Calgary (R-1 High)	R-1 Mid or Greater	0		45,204,750	25%	45,204,750	25%
Edmonton (R-1 High)	Open			18,081,900	10%	18,081,900	10%
	Open			18,081,900	10%	18,081,900	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>							
		45,997,812	25%	90,409,500	50%	44,411,689	25%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>							
Bank of Montreal (R-1 High)	Mid	43,999,112	24%	90,409,500	50%	46,410,389	26%
Bank of Nova Scotia (R-1 High)	Open	0	0%	18,081,900	10%	18,081,900	10%
Canadian Imperial Bank of Commerce (R-1 High)	Open	0	0%	18,081,900	10%	18,081,900	10%
Royal Bank (R-1 High)	Open	3,792,621	2%	18,081,900	10%	14,289,279	8%
Royal Bank - Effective Cash	Open	0	22%	18,081,900	10%	-22,124,591	-12%
Toronto Dominion (R-1 High)	Open	40,206,491					
	Open	0	0%	18,081,900	10%	18,081,900	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>							
National Bank of Canada (R-1 Mid)	R-1 Mid/High***	1,998,700	1%	45,204,750	25%	43,206,050	24%
OMERS Realty Corporation (R-1 High)	Open	0	0%	9,040,950	5%	9,040,950	5%
CDP Financial Inc (R-1 High)	Open	0	0%	9,040,950	5%	9,040,950	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	9,040,950	5%	9,040,950	5%
Desjardins Total		1,998,700	1%	9,040,950	5%	7,042,250	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,998,700					
<b>Total Cash and Equivalents</b>		<b>180,819,001</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		7,039,560	4%				
<b>Total Fixed</b>		<b>7,039,560</b>					
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>187,864,971</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		10,741,725	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>198,606,696</b>					

**Operating Funds  
Sector Weights  
@ March 31, 2009**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>4,196,848</b>	<b>14%</b>	<b>29,682,139</b>	<b>100%</b>	<b>25,485,291</b>	<b>86%</b>
Federal Government	Open	4,196,848	14%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>17,934,572</b>	<b>60%</b>	<b>29,682,139</b>	<b>100%</b>	<b>11,747,567</b>	<b>40%</b>
Total Alberta (R-1 High)	Open	4,703,726	16%	7,420,535	25%	2,716,809	9%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	4,047,754					
Alberta Treasury Branches (R-1 High)	Open	655,972					
British Columbia (R-1 High)	Open	4,129,755	14%	7,420,535	25%	3,290,780	11%
Manitoba (R-1 Mid)	Open	0	0%	7,420,535	25%	7,420,535	25%
New Brunswick (R-1 Mid)	Open	0	0%	7,420,535	25%	7,420,535	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			7,420,535	25%	7,420,535	25%
Ontario (R-1 High)	Open	5,422,092	18%	7,420,535	25%	1,998,442	7%
Quebec (R-1 Mid)	Open	3,678,999	12%	7,420,535	25%	3,741,536	13%
Saskatchewan (R-1 Mid)	Open		0%	7,420,535	25%	7,420,535	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>7,420,535</b>	<b>25%</b>	<b>7,420,535</b>	<b>25%</b>
Calgary (R-1 High)	Open			2,968,214	10%	2,968,214	10%
Edmonton (R-1 High)	Open			2,968,214	10%	2,968,214	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>7,550,719</b>	<b>25%</b>	<b>14,841,069</b>	<b>50%</b>	<b>7,290,351</b>	<b>25%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>7,222,624</b>	<b>24%</b>	<b>14,841,069</b>	<b>50%</b>	<b>7,618,445</b>	<b>26%</b>
Bank of Montreal (R-1 High)	Open	0	0%	2,968,214	10%	2,968,214	10%
Bank of Nova Scotia (R-1 High)	Open	0	0%	2,968,214	10%	2,968,214	10%
Canadian Imperial Bank of Commerce (R-1 High)	Open	622,573	2%	2,968,214	10%	2,345,640	8%
Royal Bank (R-1 High)	Open	0	22%	2,968,214	10%	-3,631,837	-12%
Royal Bank - Effective Cash		6,600,051					
Toronto Dominion (R-1 High)	Open	0	0%	2,968,214	10%	2,968,214	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>328,094</b>	<b>1%</b>	<b>7,420,535</b>	<b>25%</b>	<b>7,092,440</b>	<b>24%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	1,484,107	5%	1,484,107	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	1,484,107	5%	1,484,107	5%
CDP Financial Inc (R-1 High)	Open	0	0%	1,484,107	5%	1,484,107	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	1,484,107	5%	1,484,107	5%
Desjardins Total		328,094	1%	1,484,107	5%	1,156,013	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	328,094					
<b>Total Investments</b>		<b>29,682,139</b>	<b>100%</b>				
Interest Bearing Bank Accounts - O/S Cheque Coverage		10,741,725	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>40,423,864</b>					



**Capital Funds  
Sector Weights  
@ March 31, 2009**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>100%</b>	<b>0</b>	<b>0%</b>
Federal Government	Open	0	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>100%</b>	<b>0</b>	<b>0%</b>
Total Alberta (R-1 High)	Open	0	0%	0	25%	0	0%
Alberta (R-1 High)	Open	0					
Alberta 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	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	25%	0	0%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>0</b>	<b>25%</b>	<b>0</b>	<b>0%</b>
Calgary (R-1 High)	Open			0	10%	0	0%
Edmonton (R-1 High)	Open			0	10%	0	0%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>0</b>	<b>0%</b>	<b>0</b>	<b>50%</b>	<b>0</b>	<b>0%</b>
	<b>BA's Schedule A</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Canadian Banks R-1 Mid</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>50%</b>	<b>0</b>	<b>0%</b>
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%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>25%</b>	<b>0</b>	<b>0%</b>
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					
<b>Total Cash and Equivalents</b>		<b>0</b>	<b>0%</b>				

**Reserve Funds  
Sector Weights  
@ March 31, 2009**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>20,901,367</b>	<b>14%</b>	<b>147,824,574</b>	<b>100%</b>	<b>126,923,207</b>	<b>86%</b>
Federal Government	Open	20,901,367	14%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>89,318,713</b>	<b>60%</b>	<b>147,824,574</b>	<b>100%</b>	<b>58,505,861</b>	<b>40%</b>
Total Alberta (R-1 High)	Open	23,425,746	16%	36,956,143	25%	13,530,397	9%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	20,158,839					
Alberta Treasury Branches (R-1 High)	Open	3,266,907					
British Columbia (R-1 High)	Open	20,567,227	14%	36,956,143	25%	16,388,917	11%
Manitoba (R-1 Mid)	Open	0	0%	36,956,143	25%	36,956,143	25%
New Brunswick (R-1 Mid)	Open	0	0%	36,956,143	25%	36,956,143	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			36,956,143	25%	36,956,143	25%
Ontario (R-1 High)	Open	27,003,394	18%	36,956,143	25%	9,952,750	7%
Quebec (R-1 Mid)	Open	18,322,346	12%	36,956,143	25%	18,633,797	13%
Saskatchewan (R-1 Mid)	Open		0%	36,956,143	25%	36,956,143	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>36,956,143</b>	<b>25%</b>	<b>36,956,143</b>	<b>25%</b>
Calgary (R-1 High)	Open			14,782,457	10%	14,782,457	10%
Edmonton (R-1 High)	Open			14,782,457	10%	14,782,457	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>37,604,494</b>	<b>25%</b>	<b>73,912,287</b>	<b>50%</b>	<b>36,307,793</b>	<b>25%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>35,970,501</b>	<b>24%</b>	<b>73,912,287</b>	<b>50%</b>	<b>37,941,786</b>	<b>26%</b>
Bank of Montreal (R-1 High)	Open	0	0%	14,782,457	10%	14,782,457	10%
Bank of Nova Scotia (R-1 High)	Open	0	0%	14,782,457	10%	14,782,457	10%
Canadian Imperial Bank of Commerce (R-1 High)	Open	3,100,573	2%	14,782,457	10%	11,681,884	8%
Royal Bank (R-1 High)	Open	0	22%	14,782,457	10%	-18,087,470	-12%
Royal Bank - Effective Cash		32,869,927 }					
Toronto Dominion (R-1 High)	Open	0	0%	14,782,457	10%	14,782,457	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>1,633,993</b>	<b>1%</b>	<b>36,956,143</b>	<b>25%</b>	<b>35,322,151</b>	<b>24%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	7,391,229	5%	7,391,229	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	7,391,229	5%	7,391,229	5%
CDP Financial Inc (R-1 High)	Open	0	0%	7,391,229	5%	7,391,229	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	7,391,229	5%	7,391,229	5%
Desjardins Total		1,633,993	1%	7,391,229	5%	5,757,236	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,633,993					
<b>Total Cash and Equivalents</b>		<b>147,824,574</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		6,985,385	5%				
<b>Total Fixed</b>		<b>6,985,385</b>					
<b>Total Investments</b>		<b>154,809,959</b>					

**Trust Funds  
Sector Weights  
@ March 31, 2009**

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	<b>468,335</b>	<b>14%</b>	<b>3,312,288</b>	<b>100%</b>	<b>2,843,954</b>	<b>86%</b>
Federal Government	Open	468,335	14%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>2,001,354</b>	<b>60%</b>	<b>3,312,288</b>	<b>100%</b>	<b>1,310,934</b>	<b>40%</b>
Total Alberta (R-1 High)	Open	524,898	16%	828,072	25%	303,174	9%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	451,697					
Alberta Treasury Branches (R-1 High)	Open	73,201					
British Columbia (R-1 High)	Open	460,847	14%	828,072	25%	367,225	11%
Manitoba (R-1 Mid)	Open	0	0%	828,072	25%	828,072	25%
New Brunswick (R-1 Mid)	Open	0	0%	828,072	25%	828,072	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			828,072	25%	828,072	25%
Ontario (R-1 High)	Open	605,062	18%	828,072	25%	223,010	7%
Quebec (R-1 Mid)	Open	410,547	12%	828,072	25%	417,525	13%
Saskatchewan (R-1 Mid)	Open		0%	828,072	25%	828,072	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>828,072</b>	<b>25%</b>	<b>828,072</b>	<b>25%</b>
Calgary (R-1 High)	Open			331,229	10%	331,229	10%
Edmonton (R-1 High)	Open			331,229	10%	331,229	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>842,600</b>	<b>25%</b>	<b>1,656,144</b>	<b>50%</b>	<b>813,545</b>	<b>25%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>805,987</b>	<b>24%</b>	<b>1,656,144</b>	<b>50%</b>	<b>850,157</b>	<b>26%</b>
Bank of Montreal (R-1 High)	Open	0	0%	331,229	10%	331,229	10%
Bank of Nova Scotia (R-1 High)	Open	0	0%	331,229	10%	331,229	10%
Canadian Imperial Bank of Commerce (R-1 High)	Open	69,474	2%	331,229	10%	261,755	8%
Royal Bank (R-1 High)	Open	0	0%	331,229	10%	-405,284	-12%
Royal Bank - Effective Cash		736,513					
Toronto Dominion (R-1 High)	Open	0	0%	331,229	10%	331,229	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>36,613</b>	<b>1%</b>	<b>828,072</b>	<b>25%</b>	<b>791,459</b>	<b>24%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	165,614	5%	165,614	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	165,614	5%	165,614	5%
CDP Financial Inc (R-1 High)	Open	0	0%	165,614	5%	165,614	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	165,614	5%	165,614	5%
Desjardins Total		36,613	1%	165,614	5%	129,002	4%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	36,613					
<b>Total Cash and Equivalents</b>		<b>3,312,288</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		54,175	2%				
<b>Total Fixed</b>		<b>54,175</b>					
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>3,372,873</b>					

Economic Statistics

	Canada	US
Unemployment Rate	Jan. 7.2% , Feb. 7.7%, March 8.0%	Jan. 7.6% , Feb. 8.1%, March 8.5%
Jobs Created / (Lost) (‘000's)	Jan. (129), Feb. (82.6), March (61.3)	Jan. (741), Feb. (681), March (699)
CPI (year over year)	Jan.1.1%, Feb. 1.4%, March 1.2%	Jan. 0.0%, Feb. 0.2%, March (0.4%)
CPI-X (Core) (year over year)	Jan. 1.9% , Feb. 1.9%, March 2.0%	Jan. 1.7% , Feb. 1.8%, March 1.8%
GDP Q1	(5.4%)	(6.1%) A

Central Bank Activities January 1 to March 31, 2009

- January 20 Bank of Canada lowers rate .50% to 1.0%, Bias Easing
  - January 28 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
  - March 3 Bank of Canada lowers rate by .50% to .50%, Bias Easing
  - March 18 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%, announces intention to proceed with Quantitative / Credit Easing
-

**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.