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Item No. 2

Halifax Regional Council
December 8, 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 4, 2009

SUBJECT: Investment Activities - Quarter Ending September 30, 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 September 30, 2009 has been reviewed by the Committee.

DISCUSSION

HRM Investment 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, 2009:

| Money Market Funds | 3 Months (to Sept. 30, 2009) | 9 Months (to Sept. 30, 2009) | 1 Year (to Sept 30, 2009) |
|-----------------------------|------------------------------|------------------------------|---------------------------|
| 5 th Percentile | .41% | 1.72% | 2.78% |
| 1 st Quartile | .23% | 1.04% | 1.89% |
| Mercer Median | .16% | .90% | 1.61% |
| 3 rd Quartile | .12% | .64% | 1.28% |
| 95 th Percentile | .07% | .48% | .90% |
| DEX 91 Day T-Bills | .09% | .54% | 1.26% |
| HRM | .15% | .86% | 1.54% |

HRM relative returns were high in the 3rd Quartile before fees in all terms. Spreads between the top and bottom performance ranges continue to be abnormally high. This suggests a variety of approaches are being taken by the surveyed Funds from very aggressive to highly conservative. Consistency of returns in the surveyed funds may also be an issue where aggressive traders may produce strong results in one Quarter by selling higher yielding instruments only to see performance suffer later as these funds are reinvested at lower rates. Staff take the approach of only selling an investment when the proceeds received can be reinvested at a higher yield and when a gain can be made on the sale.

Staff have executed a number of trades using this approach in conjunction with a strategy of buying longer dated instruments to lock in yield as well as provide attractive trading opportunities as these investments “roll down the yield curve”. The latter term requires some explanation and an example may be useful. The Bank of Canada issues 3 month, 6 month and 1 year Treasury Bills on scheduled dates twice a month. On November 10 the Bank auctioned 3 month Treasury Bills for an average rate of .229%, 6 month Treasury Bills for .308% and 1 year Treasury Bills for .544%. All of these instruments are actively traded in the market. Assuming a stable interest rate environment, 6 months from now the 1 year Treasury Bill will trade at the rate of the 6 month Treasury Bill. A holder of the 1 year Treasury Bill who bought it at .544% will be able to sell it for a rate close to .308% and make a capital gain while having enjoyed a higher rate of return on the funds invested than if a 6 month Treasury Bill had been purchased (.544% versus .308%). These instruments have virtually no credit risk as the Bank of Canada can literally print money. The liquidity risk, the risk that these funds will be required before the instrument matures, is managed as part of a portfolio approach and in conjunction with HRM cash flow analysis. The primary risk is that the assumption of a

stable interest rate environment will not hold true and that interest rates will rise. For example, if 6 months from now interest rates have risen such that the prevailing 6 month market rate is .60% then the potential trade discussed above would result in a loss. Again this risk is managed as part of a portfolio approach where there are numerous purchases over time at various rates to avoid putting all our eggs in one interest rate risk basket and by cash flow management to avoid having to make an unprofitable sale to cover a cash need.

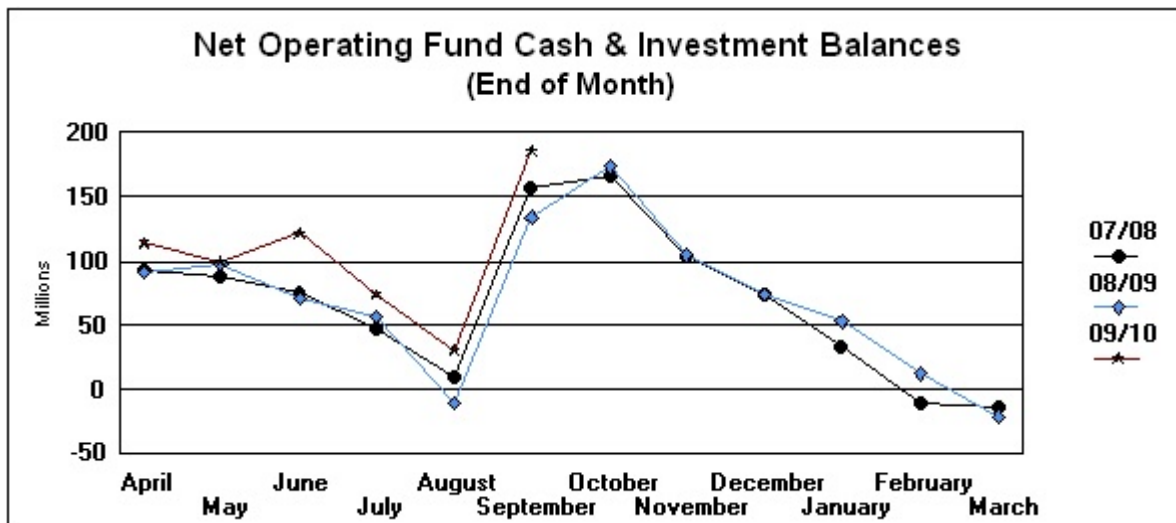
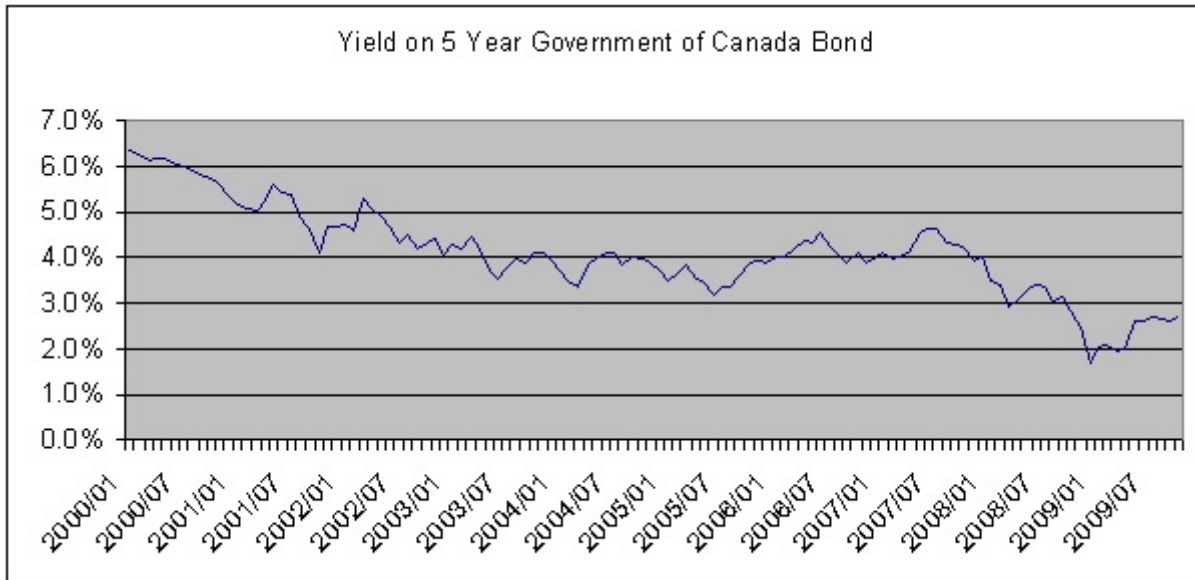
For those Funds in the Mercer Survey achieving higher returns from increased credit risk we wish them well. It has been just over a year since global credit markets were on the brink of collapse. Only massive government intervention, the U.S. alone committed \$12.8 trillion or over 90% of their GDP, to relieve markets. In Canada, the frozen Asset Backed Commercial Paper (ABCP) issue continues to reverberate with recent press reports that the City of Hamilton is suing a number of parties over some \$10 million of ABCP.

The Quarter saw 37 investments made at a cost of \$163,903,000 with an average term to maturity of 132 days. This compares to last year's 2nd Quarter of 90 investments made at a cost of \$301,120,312 with an average term of 73 days. Fewer investments were made due to the low interest rate environment as our bank account still produced a better return than other Financial Institution instruments. As a result more funds were retained in the bank account reducing the number of investment transactions. However, there were opportunities in the longer end and we were able to lock in some relatively attractive yields. Also with relatively more longer dated investments made recently there are fewer maturities to roll over thus reducing the number of investment transactions.

Cumulative incremental gross investment income from the 2007 Investment Policy change, that expanded the Non-Government Sector Weight, was \$670,188 which was little changed from the end of the last Quarter at \$669,656. Staff generally confine purchases of Non-Government instruments to a term of 3 months or less as part of a risk control strategy agreed with the Investment Policy Advisory Committee (the Committee) and to better manage cash flows. With a greater emphasis in the Quarter on longer term Government instruments to lock in yield when these yields were relatively attractive, the Non-Government Sector Weight was frequently relatively low as a proportion of assets held so much of the expanded room for holding Non-Government instruments was not used.

HRM Short Term Bond Pool

The Short Term Bond Pool currently holds Government of Canada Guaranteed bonds with maturities out to 5 years. Yields on these bonds range from a high of 4.40% to a low of 3.07% for the most recent addition in October of this year. While currently relatively modest in size at \$6 million, staff continue to look for opportunities to make additions. The ever changing outlook for future interest rates over a potential holding period of up to 5 years is a key consideration. While for the next year or so it is anticipated that inflation will remain subdued keeping market interest rates low, should administered rates stay too low for too long then inflation fears may grow sending market interest rates considerably higher. In addition, current yields on Government bonds are being impacted by nervousness in financial markets with a "flight to quality" causing these yields to be lower than would otherwise be the case. A greater sense of confidence combined with a concern for rising Government deficits and debt levels could see these yields move substantially higher. As the graph below indicates current yields are well below historical levels. Staff will continue to use patience in adding to this asset class.



Cash Flows

Net Operating Fund cash flows continued to be higher than in recent years. It is unfortunate that the other ingredient necessary to produce income, which is yield, was in such short supply.

On September 30 the Royal Bank Sector Weight exceeded the Policy guidelines by some \$29,000,000 due to Property Tax payments received during that day. Investments were made on October 1 to bring this Sector

Weight back in line with the Policy. This is a typical occurrence during Property Tax due dates and has been discussed with the Committee on numerous occasions with no concerns being expressed.

The bank account balance was again kept high at an average of 88% of the maximum allowed under the Policy to take advantage of the relatively high interest rate offered compared to other Financial Institution instruments.

Subsequent to End of Reporting Quarter

The Province of Ontario saw both its long term and short term ratings cut by the Dominion Bond Rating Service (DBRS) one notch to AA (Low) and R-1 (Mid) respectively with a stable outlook. The short term rating cut was a surprise. Standard and Poors followed shortly thereafter cutting the long term rating to AA- from AA. They left the short term rating unchanged at A-1+, their highest short term rating. From discussions with Brokers the rating downgrade has not had a significant impact on rates paid by Ontario in the Money Market or Bond area. While they continue to be a prolific issuer, Brokers report that issues are well received. We continue to hold and buy Ontario instruments in terms out to 1 year. In a 'tale of two economies' DBRS upgraded the Province of Saskatchewan long and short term ratings one notch to AA and R-1 (High) respectively.

Outlook & Strategy

U.S. unemployment went over the psychological 10% level reaching 10.2% for October. Although the rate of job losses is slowing this is unlikely to provide much comfort to the unemployed or political strategists looking to the 2010 mid-term elections. With inflation currently not an issue the U.S. Federal Reserve, with its dual mandate of price stability and maximum employment, should be in no hurry to raise rates especially when it has a variety of emergency programs to wind down and assuming the economy and the financial system continue to show improvement. With the high Canadian dollar being cited by the Bank of Canada in its October 20 interest rate decision as a key risk to the economy, it is difficult to see the Bank of Canada raising interest rates much before their U.S. counterparts. The market appears to be coming to a similar conclusion with rates in the 6 month to 1 year term coming down even in the face of better economic indicators. In the lead up to the Bank of Canada's October 20 meeting we were aggressively buying in the 9 month to 1 year term to lock in relatively attractive yields. As we anticipated, the Bank of Canada took the wind out of the market's sails and rates have been declining fairly steadily since then. We have shifted our investment focus to covering shorter term cash needs while keeping the bank account near maximum levels to position ourselves to take advantage of the next run up in yields in response to a shift in market sentiment.

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. Any investments sold prior to maturity were for a full return of capital, accrued income and a capital gain.

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%.

**Investment Activities -
Quarter Ending September 30, 2009
Council Report**

- 6 -

December 8, 2009

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 slightly below median for the year ending September 30 on a before fee basis but on an after estimated fee basis the rate of return was in excess of the Mercer Median.

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

BUDGET IMPLICATIONS

As a result of the drop in short term interest rates to unprecedented levels, a shortfall in Operating Fund Investment Income is anticipated. While this has been partially offset by some positive cash flow trends, a budget shortfall for the year of \$169,000 is currently projected.

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, 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/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



Report Approved by: Cathie O'Toole, CGA, Director of Finance 490-6308

**Total Investments
Sector Weights
@ September 30, 2009**

| Category | Status | Cumulative Amount Invested @ Book Value | % | Guideline Limit | % | Limit Available | % |
|--|---------------------------|---|-------------|--------------------|-------------|--------------------|------------|
| CASH & EQUIVALENTS | | | | | | | |
| Federal Government & its Guarantees | Open | 82,607,560 | 23% | 355,197,977 | 100% | 272,590,417 | 77% |
| Federal Government | Open | 82,607,560 | 23% | | | | |
| 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 | 153,365,446 | 43% | 355,197,977 | 100% | 201,832,531 | 57% |
| Total Alberta (R-1 High) | Open | 29,415,431 | 8% | 88,799,494 | 25% | 59,384,063 | 17% |
| Alberta (R-1 High) | Open | 0 | | | | | |
| Alberta Capital Finance Authority (R-1 High) | Open | 29,415,431 | | | | | |
| Alberta Treasury Branches (R-1 High) | Open | 0 | | | | | |
| British Columbia (R-1 High) | Open | 38,219,406 | 11% | 88,799,494 | 25% | 50,580,088 | 14% |
| Manitoba (R-1 Mid) | Open | 0 | 0% | 88,799,494 | 25% | 88,799,494 | 25% |
| New Brunswick (R-1 Mid) | Open | 14,958,400 | 4% | 88,799,494 | 25% | 73,841,094 | 21% |
| New Brunswick Municipal Finance Corp (R-1 Mid) | Open | | | 88,799,494 | 25% | 88,799,494 | 25% |
| Ontario (R-1 High) | Open | 49,630,133 | 14% | 88,799,494 | 25% | 39,169,361 | 11% |
| Quebec (R-1 Mid) | Open | 14,584,412 | 4% | 88,799,494 | 25% | 74,215,082 | 21% |
| Saskatchewan (R-1 Mid) | Open | 6,557,664 | 2% | 88,799,494 | 25% | 82,241,830 | 23% |
| Municipal Governments & their Guarantees* | R-1 Mid or Greater | 0 | | 88,799,494 | 25% | 88,799,494 | 25% |
| Calgary (R-1 High) | Open | | | 35,519,798 | 10% | 35,519,798 | 10% |
| Edmonton (R-1 High) | Open | | | 35,519,798 | 10% | 35,519,798 | 10% |
| Financial Institutions & their Guarantees /Corporations | | 119,224,971 | 34% | 177,598,989 | 50% | 58,374,018 | 16% |
| | BA's Schedule A | | | | | | |
| | Canadian Banks R-1 | | | | | | |
| Tier 1 - Financial Institutions & their Guarantees | Mid | 114,227,121 | 32% | 177,598,989 | 50% | 63,371,868 | 18% |
| Bank of Montreal (R-1 High) | Open | 9,998,850 | 3% | 35,519,798 | 10% | 25,520,948 | 7% |
| Bank of Nova Scotia (R-1 High) | Open | 24,992,900 | 7% | 35,519,798 | 10% | 10,526,898 | 3% |
| Canadian Imperial Bank of Commerce (R-1 High) | Open | 9,995,500 | 3% | 35,519,798 | 10% | 25,524,298 | 7% |
| Royal Bank (R-1 High) | Open | 0 | 18% | 35,519,798 | 10% | -28,720,523 | -8% |
| Royal Bank - Effective Cash | | 64,240,321 | | | | | |
| Toronto Dominion (R-1 High) | Open | 4,999,550 | 1% | 35,519,798 | 10% | 30,520,248 | 9% |
| Tier 2 - Financial Institutions & Corporations | R-1 Mid/High*** | 4,997,850 | 1% | 88,799,494 | 25% | 83,801,644 | 24% |
| National Bank of Canada (R-1 Mid) | Open | 4,997,850 | 1% | 17,759,899 | 5% | 12,762,049 | 4% |
| OMERS Realty Corporation (R-1 High) | Open | 0 | 0% | 17,759,899 | 5% | 17,759,899 | 5% |
| CDP Financial Inc (R-1 High) | Open | 0 | 0% | 17,759,899 | 5% | 17,759,899 | 5% |
| Ontario Infrastructure Projects Corporation (R-1 High) | Open | 0 | 0% | 17,759,899 | 5% | 17,759,899 | 5% |
| Desjardins Total | | 0 | 0% | 17,759,899 | 5% | 17,759,899 | 5% |
| Desjardins Group (R-1 High) | Open | 0 | | | | | |
| Caisse Centale Desjardins (R-1 High) | Open | 0 | | | | | |
| Total Cash and Equivalents | | 355,197,977 | 100% | | | | |
| FIXED (Bonds, etc. over one year) | | | | | | | |
| Federal Government | | 3,983,717 | 1% | | | | |
| Total Fixed | | 3,983,717 | | | | | |
| Equities | | | | | | | |
| Bank of Montreal | | 6,410 | | | | | |
| Total Equities | | 6,410 | | | | | |
| Total Investments | | 359,188,104 | | | | | |
| Interest Bearing Bank Accounts - O/S Cheque Coverage | | 26,504,514 | * | | | | |
| Total Investments and O/S Cheques Coverage | | 385,692,618 | | | | | |

**Operating Funds
Sector Weights
@ September 30, 2009**

| Category | Status | Cumulative Amount Invested @ Book Value | % | Guideline Limit | % | Limit Available | % |
|--|---------------------------|---|-------------|--------------------|-------------|--------------------|------------|
| CASH & EQUIVALENTS | | | | | | | |
| Federal Government & its Guarantees | Open | 46,090,746 | 23% | 198,182,101 | 100% | 152,091,355 | 77% |
| Federal Government | Open | 46,090,746 | 23% | | | | |
| 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 | 85,569,987 | 43% | 198,182,101 | 100% | 112,612,114 | 57% |
| Total Alberta (R-1 High) | Open | 16,412,289 | 8% | 49,545,525 | 25% | 33,133,236 | 17% |
| Alberta (R-1 High) | Open | 0 | | | | | |
| Alberta Capital Finance Authority (R-1 High) | Open | 16,412,289 | | | | | |
| Alberta Treasury Branches (R-1 High) | Open | 0 | | | | | |
| British Columbia (R-1 High) | Open | 21,324,452 | 11% | 49,545,525 | 25% | 28,221,073 | 14% |
| Manitoba (R-1 Mid) | Open | 0 | 0% | 49,545,525 | 25% | 49,545,525 | 25% |
| New Brunswick (R-1 Mid) | Open | 8,346,014 | 4% | 49,545,525 | 25% | 41,199,512 | 21% |
| New Brunswick Municipal Finance Corp (R-1 Mid) | Open | 0 | | 49,545,525 | 25% | 49,545,525 | 25% |
| Ontario (R-1 High) | Open | 27,691,047 | 14% | 49,545,525 | 25% | 21,854,478 | 11% |
| Quebec (R-1 Mid) | Open | 8,137,348 | 4% | 49,545,525 | 25% | 41,408,178 | 21% |
| Saskatchewan (R-1 Mid) | Open | 3,658,837 | 2% | 49,545,525 | 25% | 45,886,688 | 23% |
| Municipal Governments & their Guarantees* | R-1 Mid or Greater | 0 | | 49,545,525 | 25% | 49,545,525 | 25% |
| Calgary (R-1 High) | Open | 0 | | 19,818,210 | 10% | 19,818,210 | 10% |
| Edmonton (R-1 High) | Open | 0 | | 19,818,210 | 10% | 19,818,210 | 10% |
| Financial Institutions & their Guarantees /Corporations | | 66,521,368 | 34% | 99,091,050 | 50% | 32,569,683 | 16% |
| | BA's Schedule A | | | | | | |
| | Canadian Banks R-1 | | | | | | |
| Tier 1 - Financial Institutions & their Guarantees | Mid | 63,732,826 | 32% | 99,091,050 | 50% | 35,358,225 | 18% |
| Bank of Montreal (R-1 High) | Open | 5,578,841 | 3% | 19,818,210 | 10% | 14,239,369 | 7% |
| Bank of Nova Scotia (R-1 High) | Open | 13,944,746 | 7% | 19,818,210 | 10% | 5,873,464 | 3% |
| Canadian Imperial Bank of Commerce (R-1 High) | Open | 5,576,972 | 3% | 19,818,210 | 10% | 14,241,238 | 7% |
| Royal Bank (R-1 High) | Open | 0 | 18% | 19,818,210 | 10% | -16,024,567 | -8% |
| Royal Bank - Effective Cash | | 35,842,777 | | | | | |
| Toronto Dominion (R-1 High) | Open | 2,789,490 | 1% | 19,818,210 | 10% | 17,028,720 | 9% |
| Tier 2 - Financial Institutions & Corporations | R-1 Mid/High*** | 2,788,542 | 1% | 49,545,525 | 25% | 46,756,983 | 24% |
| National Bank of Canada (R-1 Mid) | Open | 2,788,542 | 1% | 9,909,105 | 5% | 7,120,563 | 4% |
| OMERS Realty Corporation (R-1 High) | Open | 0 | 0% | 9,909,105 | 5% | 9,909,105 | 5% |
| CDP Financial Inc (R-1 High) | Open | 0 | 0% | 9,909,105 | 5% | 9,909,105 | 5% |
| Ontario Infrastructure Projects Corporation (R-1 High) | Open | 0 | 0% | 9,909,105 | 5% | 9,909,105 | 5% |
| Desjardins Total | | 0 | 0% | 9,909,105 | 5% | 9,909,105 | 5% |
| Desjardins Group (R-1 High) | Open | 0 | | | | | |
| Caisse Centale Desjardins (R-1 High) | Open | 0 | | | | | |
| Total Investments | | 198,182,101 | 100% | | | | |
| Interest Bearing Bank Accounts - O/S Cheque Coverage | | 26,504,514 | * | | | | |
| Total Investments and O/S Cheques Coverage | | 224,686,615 | | | | | |

**Capital Funds
Sector Weights
@ September 30, 2009**

| 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 | 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% | 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 | | 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% | | | | |

SCHEDULE D

**Reserve Funds
Sector Weights
@ September 30, 2009**

| Category | Status | Cumulative Amount Invested @ Book Value | % | Guideline Limit | % | Limit Available | % |
|--|---------------------------|---|-------------|--------------------|-------------|--------------------|------------|
| CASH & EQUIVALENTS | | | | | | | |
| Federal Government & its Guarantees | Open | 35,742,080 | 23% | 153,684,657 | 100% | 117,942,577 | 77% |
| Federal Government | Open | 35,742,080 | 23% | | | | |
| 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 | 66,357,123 | 43% | 153,684,657 | 100% | 87,327,533 | 57% |
| Total Alberta (R-1 High) | Open | 12,727,270 | 8% | 38,421,164 | 25% | 25,693,895 | 17% |
| Alberta (R-1 High) | Open | 0 | | | | | |
| Alberta Capital Finance Authority (R-1 High) | Open | 12,727,270 | | | | | |
| Alberta Treasury Branches (R-1 High) | Open | 0 | | | | | |
| British Columbia (R-1 High) | Open | 16,536,514 | 11% | 38,421,164 | 25% | 21,884,650 | 14% |
| Manitoba (R-1 Mid) | Open | 0 | 0% | 38,421,164 | 25% | 38,421,164 | 25% |
| New Brunswick (R-1 Mid) | Open | 6,472,099 | 4% | 38,421,164 | 25% | 31,949,065 | 21% |
| New Brunswick Municipal Finance Corp (R-1 Mid) | Open | | | 38,421,164 | 25% | 38,421,164 | 25% |
| Ontario (R-1 High) | Open | 21,473,630 | 14% | 38,421,164 | 25% | 16,947,534 | 11% |
| Quebec (R-1 Mid) | Open | 6,310,285 | 4% | 38,421,164 | 25% | 32,110,879 | 21% |
| Saskatchewan (R-1 Mid) | Open | 2,837,326 | 2% | 38,421,164 | 25% | 35,583,838 | 23% |
| Municipal Governments & their Guarantees* | R-1 Mid or Greater | 0 | | 38,421,164 | 25% | 38,421,164 | 25% |
| Calgary (R-1 High) | Open | | | 15,368,466 | 10% | 15,368,466 | 10% |
| Edmonton (R-1 High) | Open | | | 15,368,466 | 10% | 15,368,466 | 10% |
| Financial Institutions & their Guarantees /Corporations | | 51,585,454 | 34% | 76,842,328 | 50% | 25,256,875 | 16% |
| | BA's Schedule A | | | | | | |
| | Canadian Banks R-1 | | | | | | |
| Tier 1 - Financial Institutions & their Guarantees | Mid | 49,423,018 | 32% | 76,842,328 | 50% | 27,419,311 | 18% |
| Bank of Montreal (R-1 High) | Open | 4,326,235 | 3% | 15,368,466 | 10% | 11,042,231 | 7% |
| Bank of Nova Scotia (R-1 High) | Open | 10,813,759 | 7% | 15,368,466 | 10% | 4,554,707 | 3% |
| Canadian Imperial Bank of Commerce (R-1 High) | Open | 4,324,785 | 3% | 15,368,466 | 10% | 11,043,680 | 7% |
| Royal Bank (R-1 High) | Open | 0 | 18% | 15,368,466 | 10% | -12,426,602 | -8% |
| Royal Bank - Effective Cash | | 27,795,067 | | | | | |
| Toronto Dominion (R-1 High) | Open | 2,163,171 | 1% | 15,368,466 | 10% | 13,205,294 | 9% |
| Tier 2 - Financial Institutions & Corporations | R-1 Mid/High*** | 2,162,436 | 1% | 38,421,164 | 25% | 36,258,728 | 24% |
| National Bank of Canada (R-1 Mid) | Open | 2,162,436 | 1% | 7,684,233 | 5% | 5,521,797 | 4% |
| OMERS Realty Corporation (R-1 High) | Open | 0 | 0% | 7,684,233 | 5% | 7,684,233 | 5% |
| CDP Financial Inc (R-1 High) | Open | 0 | 0% | 7,684,233 | 5% | 7,684,233 | 5% |
| Ontario Infrastructure Projects Corporation (R-1 High) | Open | 0 | 0% | 7,684,233 | 5% | 7,684,233 | 5% |
| Desjardins Total | | 0 | 0% | 7,684,233 | 5% | 7,684,233 | 5% |
| Desjardins Group (R-1 High) | Open | 0 | | | | | |
| Caisse Centale Desjardins (R-1 High) | Open | 0 | | | | | |
| Total Cash and Equivalents | | 153,684,657 | 100% | | | | |
| FIXED (Bonds, etc. over one year) | | 3,983,717 | 3% | | | | |
| Federal Government | | 3,983,717 | | | | | |
| Total Fixed | | 3,983,717 | | | | | |
| Total Investments | | 157,668,374 | | | | | |

**Trust Funds
Sector Weights
@ September 30, 2009**

| Category | Status | Cumulative Amount Invested @ Book Value | % | Guideline Limit | % | Limit Available | % |
|--|---------------------------|---|-------------|------------------|-------------|------------------|------------|
| CASH & EQUIVALENTS | | | | | | | |
| Federal Government & its Guarantees | Open | 774,734 | 23% | 3,331,220 | 100% | 2,556,486 | 77% |
| Federal Government | Open | 774,734 | 23% | | | | |
| 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 | 1,438,336 | 43% | 3,331,220 | 100% | 1,892,884 | 57% |
| Total Alberta (R-1 High) | Open | 275,872 | 8% | 832,805 | 25% | 556,933 | 17% |
| Alberta (R-1 High) | Open | 0 | | | | | |
| Alberta Capital Finance Authority (R-1 High) | Open | 275,872 | | | | | |
| Alberta Treasury Branches (R-1 High) | Open | 0 | | | | | |
| British Columbia (R-1 High) | Open | 358,440 | 11% | 832,805 | 25% | 474,365 | 14% |
| Manitoba (R-1 Mid) | Open | 0 | 0% | 832,805 | 25% | 832,805 | 25% |
| New Brunswick (R-1 Mid) | Open | 140,287 | 4% | 832,805 | 25% | 692,518 | 21% |
| New Brunswick Municipal Finance Corp (R-1 Mid) | Open | 0 | | 832,805 | 25% | 832,805 | 25% |
| Ontario (R-1 High) | Open | 465,456 | 14% | 832,805 | 25% | 367,349 | 11% |
| Quebec (R-1 Mid) | Open | 136,780 | 4% | 832,805 | 25% | 696,025 | 21% |
| Saskatchewan (R-1 Mid) | Open | 61,501 | 2% | 832,805 | 25% | 771,304 | 23% |
| Municipal Governments & their Guarantees* | R-1 Mid or Greater | 0 | | 832,805 | 25% | 832,805 | 25% |
| Calgary (R-1 High) | Open | 0 | | 333,122 | 10% | 333,122 | 10% |
| Edmonton (R-1 High) | Open | 0 | | 333,122 | 10% | 333,122 | 10% |
| Financial Institutions & their Guarantees /Corporations | | 1,118,150 | 34% | 1,665,610 | 50% | 547,460 | 16% |
| | BA's Schedule A | | | | | | |
| | Canadian Banks R-1 | | | | | | |
| Tier 1 - Financial Institutions & their Guarantees | Mid | 1,071,278 | 32% | 1,665,610 | 50% | 594,332 | 18% |
| Bank of Montreal (R-1 High) | Open | 93,774 | 3% | 333,122 | 10% | 239,348 | 7% |
| Bank of Nova Scotia (R-1 High) | Open | 234,396 | 7% | 333,122 | 10% | 98,726 | 3% |
| Canadian Imperial Bank of Commerce (R-1 High) | Open | 93,743 | 3% | 333,122 | 10% | 239,379 | 7% |
| Royal Bank (R-1 High) | Open | 0 | 18% | 333,122 | 10% | -269,355 | -8% |
| Royal Bank - Effective Cash | | 602,477 | | | | | |
| Toronto Dominion (R-1 High) | Open | 46,888 | 1% | 333,122 | 10% | 286,234 | 9% |
| Tier 2 - Financial Institutions & Corporations | R-1 Mid/High*** | 46,872 | 1% | 832,805 | 25% | 785,933 | 24% |
| National Bank of Canada (R-1 Mid) | Open | 46,872 | 1% | 166,561 | 5% | 119,689 | 4% |
| OMERS Realty Corporation (R-1 High) | Open | 0 | 0% | 166,561 | 5% | 166,561 | 5% |
| CDP Financial Inc (R-1 High) | Open | 0 | 0% | 166,561 | 5% | 166,561 | 5% |
| Ontario Infrastructure Projects Corporation (R-1 High) | Open | 0 | 0% | 166,561 | 5% | 166,561 | 5% |
| Desjardins Total | | 0 | 0% | 166,561 | 5% | 166,561 | 5% |
| Desjardins Group (R-1 High) | Open | 0 | | | | | |
| Caisse Centale Desjardins (R-1 High) | Open | 0 | | | | | |
| Total Cash and Equivalents | | 3,331,220 | 100% | | | | |
| Equities | | 6,410 | | | | | |
| Bank of Montreal | | 6,410 | | | | | |
| Total Equities | | 6,410 | | | | | |
| Total Investments | | 3,337,630 | | | | | |

Economic Statistics

| | Canada | US |
|--------------------------------|------------------------------|----------------------------------|
| Unemployment Rate | Jul 8.6%, Aug 8.7%, Sep 8.4% | Jul 9.4%, Aug 9.7% , Sep 9.8% |
| Jobs Created / (Lost) ('000's) | Jul (45), Aug 27 , Sep 31 | Jul (247), Aug (216) , Sep (263) |
| CPI (year over year) | Jul -.9%, Aug -.8%, Sep -.9% | Jul -2.1%, Aug -1.5% , Sep -1.3% |
| CPI-X (Core) (year over year) | Jul 1.8%, Aug 1.6%, Sep 1.5% | Jul 1.5%, Aug 1.4% , Sep 1.5% |
| GDP Q1 | TBA | 3.5% |

Central Bank Activities

- July 21 Bank of Canada holds rate at .25%
- Aug 12 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- September 10 Bank of Canada holds rate at .25%
- September 23 U.S. Federal Open Market Committee maintains 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.