



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 3
Halifax Regional Council
March 9, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 

Cathie O'Toole, CGA, Director of Finance

DATE: March 5, 2010

SUBJECT: Investment Activities - Quarter Ending December 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 December 31, 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 December 31, 2009:

Money Market Funds	3 Months (to December 31, 2009)	1 Year (to December 31, 2009)
5 th Percentile	0.27%	1.60%
1 st Quartile	0.15%	1.15%
Mercer Median	0.12%	0.99%
3 rd Quartile	0.08%	0.70%
95 th Percentile	0.06%	0.56%
DEX 91 Day T-Bills	0.08%	0.62%
HRM	.12%	.98%

While the level of returns is certainly uninspiring, HRM returns for the Quarter and Year were in line with the Mercer Median before allowing for fees charged by the surveyed Funds. The wide spreads between the top and bottom performing Funds continue to suggest that some Funds are taking on credit risk, aggressive trading behavior or both while others are being very conservative.

The Quarter saw 51 investments made at a cost of \$219,232,000 with an average term to maturity of 119 days. This compares to last year's 3rd Quarter of 99 investments made at a cost of \$364,752,000 with an average term of 73 days. Similar to last Quarter, fewer investments were made due to the low interest rate environment. Our bank account still produced a better return than other short term Financial Institution instruments. However, there were again opportunities in the nine month to one year term to lock in some relatively attractive yields with Federal and Provincial Government instruments. These longer dated investments not only increase yield but also provide an opportunity for a profitable trade in the future as the yield curve rolls down. The added interest rate risk from these investments, the risk that market rates will rise during the holding period, is managed as part of a portfolio approach.

Staff are currently projecting Operating Fund Investment Income for the fiscal year to be \$500,000 versus the previous projection of \$546,000 and an original budget of \$715,000. Approximately \$36,000 of the revision in the projected amount is due to a change in methodology in applying Provincial funding to the Canada Games Facility Project with the balance as a result of a sharp deterioration in the net cash position that occurred in December. It is anticipated that the rate of return for the year will be .60%, as previously anticipated, versus a budgeted rate of 1.03%. Broadly speaking, better than anticipated cash flows helped offset some, but not all, of the impacts of the unprecedented low level of interest rates.

Staff are budgeting Operating Fund Investment Income for the 2010/11 fiscal year at \$512,000 and a rate of return of .80%. The rate of return assumption is based on the consensus forecasts of the 'Big 6' Canadian Banks as to the future timing and magnitude of interest rate increases. Staff then adjusted this down slightly as we believe them to be somewhat optimistic. Looking back at last year's forecasts none of the Banks predicted the dismal levels that rates sank to over the past year. Staff have also anticipated some negative cash flow impacts in developing the budget. Recently Council approved a change in the annual final tax billing due date from the end of September to the end of October as well as a change in the methodology for calculating the interim tax bill. As reported to Council at that time, these changes will have positive customer service impacts but will result in a net reduction in Investment Income. An anticipated continuation of some cash flow trends discussed below were also taken into consideration for budget purposes.

Cumulative incremental gross investment income from the 2007 Policy change that expanded the Non-Government Sector Weigh was \$677,051 or a \$6,863 increase during the Quarter. Investment strategies did not emphasis maximizing the Non-Government Sector.

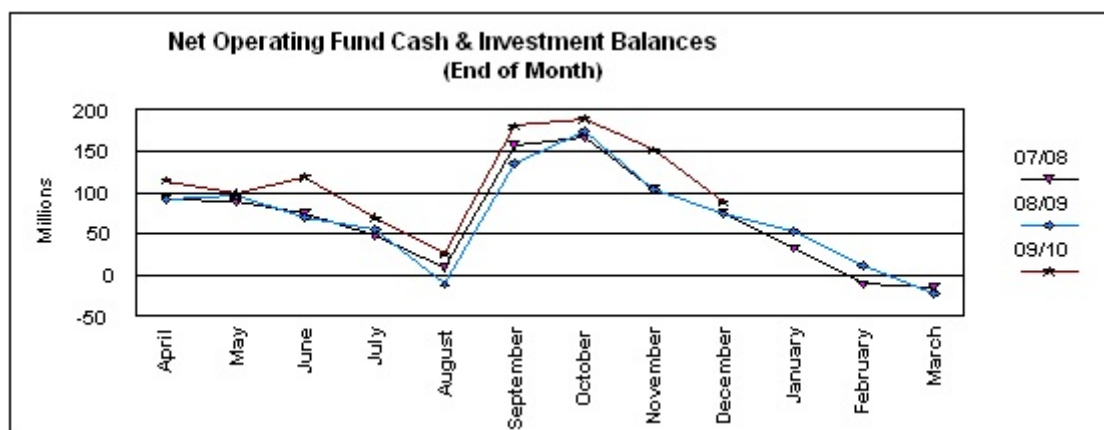
HRM Short Term Bond Pool

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.

Cash Flows

As mentioned above, December saw a substantial drop in net Operating Fund cash levels. Although Revenue reporting is not yet available for more complete modeling, staff believe that much of the impact is due to Capital Expenditures. HRM currently has three large projects, the Canada Games Facility, the 4Pad Arena and the Ragged Lake Transit Garage, that are all scheduled for completion in 2010. Gross Expenditures for these three projects total in excess of some \$100 million. As the Operating Fund provides Bridge Financing for these projects in advance of Cost Sharing and other permanent financing they will be a drag on Operating Fund balances and Investment Income.

It should be noted that the change in the methodology for applying the Provincial funding to the Canada Games Facility project has caused a restatement of the graph below reducing the Net Operating Fund Cash and Investment Balances during the current fiscal year.



The attached Sector Weight schedules are indicating a small negative in the Royal Bank - Effective Cash. This is not an actual overdraft but rather reflects funds encumbered for outstanding cheques and imminent payments in keeping with past practice. Investment maturities on the first business day of January replenished cash balances.

The bank account balance was generally kept at a high level to take advantage of a favorable rate differential to short term Financial Institution instruments. There were some occasions in October in particular when the bank balance was drawn down to purchase longer dated Government instruments to lock in yield. The average level for the Quarter was 83% of the Policy maximum.

Subsequent to End of Reporting Quarter

The recent U.S. employment report covering January provides both a glimmer of hope as well as a signpost as to how much damage has been done. While the unemployment rate fell from 10% to 9.7% and ‘only’ 20,000 jobs were reported lost, other measures paint an even bleaker picture. Data revisions indicate some 8.4 million jobs were lost since December 2007. The “underemployment rate”, which includes those working part time that would prefer full time employment, dropped from a record of 17.4% to 16.5%. Meanwhile the USDA website reports the dubious honor of providing food stamps to over 35 million people each month. In further anecdotal evidence of weakness, CIBC recently estimated that even at a pace of adding 250,000 jobs a month and a modest recovery in the participation rate it would take until mid-2015 for the U.S. to return to a 5% unemployment rate.

The labour market is much more encouraging in Canada with a six month trend of 23,000 jobs being created per month. However, as a relatively small open economy our fortunes will continue to be tied to our trading partners.

There are recent press reports that the Notes created from the Canadian frozen Asset Backed Commercial Paper are beginning to trade. The highest quality of these Notes are getting some 60 cents on the dollar. Most are scheduled to mature in 2017. Considering they were originally sold as R-1 High rated Commercial Paper with terms to maturity of 30, 60 and 90 days back in 2007 this may be cold comfort to many of those who hold them.

Outlook & Strategy

Two old expressions come to mind when trying to frame a future view, 'there's no such thing as a free lunch' and 'no good deed goes unpunished'. The ramifications to Public Sector balance sheets of stepping in to save the financial system and mitigate the economic affects of the credit crisis are beginning to play out largely as expected. The risks of sovereign default have crowded out similar risks for the Private Sector in market discussions. Those countries that entered Recession with the weakest balance sheets are not surprisingly tending to be the first to come under the most market pressure. Some Euro countries are facing particular challenges as a habitual lack of fiscal discipline and being tied to the common currency and Monetary Policy leave them little room to maneuver. This is the greatest risk to date for the Euro currency experiment.

While the advance Q4 U.S. GDP reading came in above expectations at 5.7% some 3.4% was due to inventory rebuild. A concern is this will sap activity from later in 2010 just as the impacts of current government stimulus fall off raising the risk of a double dip Recession. Its difficult to see what added fuel could be added by Monetary Policy with rates currently at such low levels. The regulatory landscape for financial firms continues to be uncertain and therefore may also hinder economic recovery. There is also a danger that a move to more prudent regulation could become overly politicized in the run-up to the U.S mid-term elections.

Given recent experiences it is tempting to only dwell on the negative and what could go wrong in the future. However many corporate balance sheets are in reasonably good shape allowing them to invest when it makes sense for their business. Financial markets are functioning. The passage of time is allowing some households an opportunity to repair their balance sheets as well. A slow choppy recovery may be the result of all these cross currents. From time to time there is speculation on the shape of the recovery, will it be a V or a W, etc. A check mark drawn by an unsteady hand may turn out to be the most apt description.

In terms of strategy we continue to hope for the best but prepare for the worst. We continue to look for opportunities to lock in yield when rates back up and cover shorter term cash needs when rates are low.

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%.

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 December 31 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 \$215,000 is expected and has been recognized in current projections.

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, 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

**Total Investments
Sector Weights
@ December 31, 2009**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	87,610,790	35%	252,434,840	100%	164,824,050	65%
Federal Government	Open	87,610,790	35%				
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	112,248,673	44%	252,434,840	100%	140,186,167	56%
Total Alberta (R-1 High)	Open	27,538,840	11%	63,108,710	25%	35,569,870	14%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	27,538,840					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	23,710,407	9%	63,108,710	25%	39,398,303	16%
Manitoba (R-1 Mid)	Open	0	0%	63,108,710	25%	63,108,710	25%
New Brunswick (R-1 Mid)	Open	0	0%	63,108,710	25%	63,108,710	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		63,108,710	25%	63,108,710	25%
Ontario (R-1 High)	Open	45,577,601	18%	63,108,710	25%	17,531,109	7%
Quebec (R-1 Mid)	Open	8,864,161	4%	63,108,710	25%	54,244,549	21%
Saskatchewan (R-1 Mid)	Open	6,557,664	3%	63,108,710	25%	56,551,046	22%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		63,108,710	25%	63,108,710	25%
Calgary (R-1 High)	Open	0		25,243,484	10%	25,243,484	10%
Edmonton (R-1 High)	Open	0		25,243,484	10%	25,243,484	10%
Financial Institutions & their Guarantees /Corporations		52,575,377	21%	126,217,420	50%	73,642,043	29%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	42,579,077	17%	126,217,420	50%	83,638,343	33%
Bank of Montreal (R-1 High)	Open	12,995,430	5%	25,243,484	10%	12,248,054	5%
Bank of Nova Scotia (R-1 High)	Open	10,996,020	4%	25,243,484	10%	14,247,464	6%
Canadian Imperial Bank of Commerce (R-1 High)	Open	13,632,282	5%	25,243,484	10%	11,611,202	5%
Royal Bank (R-1 High)	Open	0	0%	25,243,484	10%	25,286,989	10%
Royal Bank - Effective Cash		-43,505					
Toronto Dominion (R-1 High)	Open	4,998,850	2%	25,243,484	10%	20,244,634	8%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	9,996,300	4%	63,108,710	25%	53,112,410	21%
National Bank of Canada (R-1 Mid)	Open	9,996,300	4%	12,621,742	5%	2,625,442	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	12,621,742	5%	12,621,742	5%
CDP Financial Inc (R-1 High)	Open	0	0%	12,621,742	5%	12,621,742	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	12,621,742	5%	12,621,742	5%
Desjardins Total		0	0%	12,621,742	5%	12,621,742	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		252,434,840	100%				
FIXED (Bonds, etc. over one year)							
Federal Government		5,960,517	2%				
Total Fixed		5,960,517					
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		258,401,767					
Interest Bearing Bank Accounts - O/S Cheque Coverage		15,668,504	*				
Total Investments and O/S Cheques Coverage		274,070,271					

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

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	43,480,736	35%	125,281,974	100%	81,801,238	65%
Federal Government	Open	43,480,736	35%				
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	55,708,377	44%	125,281,974	100%	69,573,597	56%
Total Alberta (R-1 High)	Open	13,667,370	11%	31,320,494	25%	17,653,124	14%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	13,667,370					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	11,767,340	9%	31,320,494	25%	19,553,153	16%
Manitoba (R-1 Mid)	Open	0	0%	31,320,494	25%	31,320,494	25%
New Brunswick (R-1 Mid)	Open	0	0%	31,320,494	25%	31,320,494	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		31,320,494	25%	31,320,494	25%
Ontario (R-1 High)	Open	22,619,904	18%	31,320,494	25%	8,700,590	7%
Quebec (R-1 Mid)	Open	4,399,233	4%	31,320,494	25%	26,921,261	21%
Saskatchewan (R-1 Mid)	Open	3,254,531	3%	31,320,494	25%	28,065,962	22%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		31,320,494	25%	31,320,494	25%
Calgary (R-1 High)	Open			12,528,197	10%	12,528,197	10%
Edmonton (R-1 High)	Open			12,528,197	10%	12,528,197	10%
Financial Institutions & their Guarantees /Corporations		26,092,860	21%	62,640,987	50%	36,548,127	29%
BA's Schedule A							
Canadian Banks R-1							
Tier 1 - Financial Institutions & their Guarantees	Mid	21,131,753	17%	62,640,987	50%	41,509,234	33%
Bank of Montreal (R-1 High)	Open	6,449,558	5%	12,528,197	10%	6,078,639	5%
Bank of Nova Scotia (R-1 High)	Open	5,457,262	4%	12,528,197	10%	7,070,935	6%
Canadian Imperial Bank of Commerce (R-1 High)	Open	6,765,624	5%	12,528,197	10%	5,762,573	5%
Royal Bank (R-1 High)	Open	0	0%	12,528,197	10%	12,549,789	10%
Royal Bank - Effective Cash		-21,591					
Toronto Dominion (R-1 High)	Open	2,480,901	2%	12,528,197	10%	10,047,297	8%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	4,961,107	4%	31,320,494	25%	26,359,387	21%
National Bank of Canada (R-1 Mid)	Open	4,961,107	4%	6,264,099	5%	1,302,992	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	6,264,099	5%	6,264,099	5%
CDP Financial Inc (R-1 High)	Open	0	0%	6,264,099	5%	6,264,099	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	6,264,099	5%	6,264,099	5%
Desjardins Total		0	0%	6,264,099	5%	6,264,099	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Investments		125,281,974	100%				
Interest Bearing Bank Accounts - O/S Cheque Coverage		15,668,504	*				
Total Investments and O/S Cheques Coverage		140,950,478					

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

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	42,962,954	35%	123,790,075	100%	80,827,122	65%
Federal Government	Open	42,962,954	35%				
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	55,044,984	44%	123,790,075	100%	68,745,091	56%
Total Alberta (R-1 High)	Open	13,504,614	11%	30,947,519	25%	17,442,905	14%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	13,504,614					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	11,627,211	9%	30,947,519	25%	19,320,308	16%
Manitoba (R-1 Mid)	Open	0	0%	30,947,519	25%	30,947,519	25%
New Brunswick (R-1 Mid)	Open	0	0%	30,947,519	25%	30,947,519	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			30,947,519	25%	30,947,519	25%
Ontario (R-1 High)	Open	22,350,539	18%	30,947,519	25%	8,596,980	7%
Quebec (R-1 Mid)	Open	4,346,845	4%	30,947,519	25%	26,600,674	21%
Saskatchewan (R-1 Mid)	Open	3,215,775	3%	30,947,519	25%	27,731,744	22%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		30,947,519	25%	30,947,519	25%
Calgary (R-1 High)	Open			12,379,008	10%	12,379,008	10%
Edmonton (R-1 High)	Open			12,379,008	10%	12,379,008	10%
Financial Institutions & their Guarantees /Corporations		25,782,138	21%	61,895,038	50%	36,112,900	29%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	20,880,110	17%	61,895,038	50%	41,014,928	33%
Bank of Montreal (R-1 High)	Open	6,372,754	5%	12,379,008	10%	6,006,253	5%
Bank of Nova Scotia (R-1 High)	Open	5,392,275	4%	12,379,008	10%	6,986,732	6%
Canadian Imperial Bank of Commerce (R-1 High)	Open	6,685,057	5%	12,379,008	10%	5,693,951	5%
Royal Bank (R-1 High)	Open	0	0%	12,379,008	10%	12,400,342	10%
Royal Bank - Effective Cash		-21,334					
Toronto Dominion (R-1 High)	Open	2,451,357	2%	12,379,008	10%	9,927,650	8%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	4,902,028	4%	30,947,519	25%	26,045,491	21%
National Bank of Canada (R-1 Mid)	Open	4,902,028	4%	6,189,504	5%	1,287,475	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	6,189,504	5%	6,189,504	5%
CDP Financial Inc (R-1 High)	Open	0	0%	6,189,504	5%	6,189,504	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	6,189,504	5%	6,189,504	5%
Desjardins Total		0	0%	6,189,504	5%	6,189,504	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		123,790,075	100%				
FIXED (Bonds, etc. over one year)							
Federal Government		5,960,517	5%				
Total Fixed		5,960,517					
Total Investments		129,750,592					

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

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	1,167,100	35%	3,362,790	100%	2,195,690	65%
Federal Government	Open	1,167,100	35%				
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	1,495,312	44%	3,362,790	100%	1,867,479	56%
Total Alberta (R-1 High)	Open	366,856	11%	840,698	25%	473,841	14%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	366,856					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	315,856	9%	840,698	25%	524,841	16%
Manitoba (R-1 Mid)	Open	0	0%	840,698	25%	840,698	25%
New Brunswick (R-1 Mid)	Open	0	0%	840,698	25%	840,698	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		840,698	25%	840,698	25%
Ontario (R-1 High)	Open	607,158	18%	840,698	25%	233,539	7%
Quebec (R-1 Mid)	Open	118,083	4%	840,698	25%	722,614	21%
Saskatchewan (R-1 Mid)	Open	87,357	3%	840,698	25%	753,340	22%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		840,698	25%	840,698	25%
Calgary (R-1 High)	Open			336,279	10%	336,279	10%
Edmonton (R-1 High)	Open			336,279	10%	336,279	10%
Financial Institutions & their Guarantees /Corporations		700,379	21%	1,681,395	50%	981,017	29%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	567,214	17%	1,681,395	50%	1,114,181	33%
Bank of Montreal (R-1 High)	Open	173,118	5%	336,279	10%	163,161	5%
Bank of Nova Scotia (R-1 High)	Open	146,483	4%	336,279	10%	189,796	6%
Canadian Imperial Bank of Commerce (R-1 High)	Open	181,601	5%	336,279	10%	154,678	5%
Royal Bank (R-1 High)	Open	0	0%	336,279	10%	336,859	10%
Royal Bank - Effective Cash		-580					
Toronto Dominion (R-1 High)	Open	66,592	2%	336,279	10%	269,687	8%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	133,165	4%	840,698	25%	707,533	21%
National Bank of Canada (R-1 Mid)	Open	133,165	4%	168,140	5%	34,975	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	168,140	5%	168,140	5%
CDP Financial Inc (R-1 High)	Open	0	0%	168,140	5%	168,140	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	168,140	5%	168,140	5%
Desjardins Total		0	0%	168,140	5%	168,140	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
Total Cash and Equivalents		3,362,790	100%				
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		3,369,200					

Economic Statistics

	Canada	US
Unemployment Rate	Oct 8.4%, Nov 8.4%, Dec 8.4%	Oct 10.2%, Nov 10%, Dec 10%
Jobs Created / (Lost) ('000's)	Oct (23), Nov 72, Dec (28)	Oct (190), Nov 64, Dec (150)
CPI (year over year)	Oct .1%, Nov 1.0%, Dec 1.3%	Oct (.2%), Nov 1.8%, Dec 2.7%
CPI-X (Core) (year over year)	Oct 1.8%, Nov 1.5%, Dec 1.5%	Oct 1.7%, Nov 1.7%, Dec 1.8%
GDP Q4	TBA	5.7%A

Central Bank Activities

- Oct 20 Bank of Canada maintains overnight rate target at .25%
- Nov 4 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- Dec 8 Bank of Canada maintains overnight rate target at .25%
- Dec 16 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.