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**Item No. 4**  
**Halifax Regional Council**  
**June 15, 2010**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**   
Cathie O'Toole, CGA, Director of Finance

**DATE:** June 11, 2010

**SUBJECT:** Investment Activities - Quarter Ending March 31, 2010

**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, 2010 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 March 31, 2010:

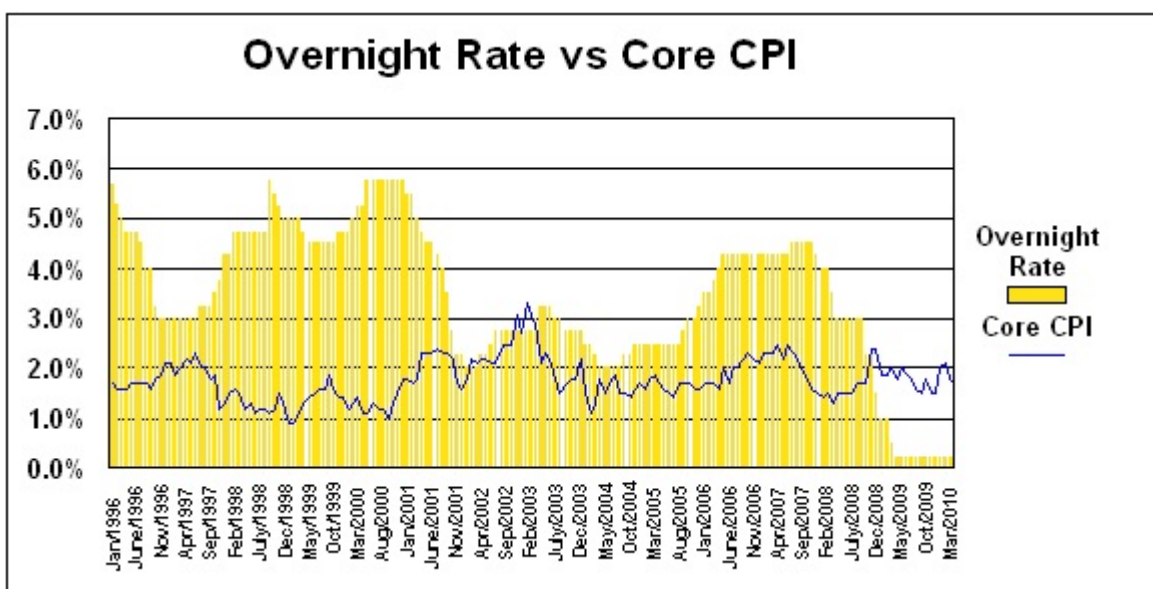
Money Market Funds	3 Months (to March 31, 2010)	1 Year (to March 31, 2010)
5 <sup>th</sup> Percentile	.18%	1.23%
1 <sup>st</sup> Quartile	.13%	.80%
Mercer Median	.11%	.61%
3 <sup>rd</sup> Quartile	.06%	.46%
95 <sup>th</sup> Percentile	.05%	.34%
DEX 91 Day T-Bills	.05%	.34%
<b>HRM</b>	<b>.13%</b>	<b>.60%</b>

HRM returns were at the 1<sup>st</sup> Quartile break for the Quarter and just below Median before allowing for fees for the year. It is at least equally important to explain above average relative performance as when performance lags. HRM returns benefitted from a combination of factors including a relatively long term to maturity that locked in higher rates, a predominant buy and hold strategy as well as some limited selling that realized gains from the yield curve roll down strategy.

The Quarter saw 30 investments made at a cost of \$107,058,000 with an average term to maturity of 102 days. This compares to last year's 4th Quarter of 36 investments made at a cost of \$121,916,000 with an average term of 104 days. Similar to last Quarter fewer investments were made due to the low interest rate environment. The HRM bank account still produced a better return than other short term Financial Institution instruments. The long end of the yield curve, particularly the Provincial sector, offered relatively attractive yields at times so this segment was emphasized when not covering short term cash needs. One Provincial position was sold near the end of March for a gain with the proceeds rolled over into longer dated Provincial instruments to lock in rising yields.

The graph below is but another illustration of these unusual times. Normally, the Bank of Canada uses changes in the Overnight Rate to very successfully keep core inflation within the 1% to 3% zone with a target of 2%. Since early 2009 they have pursued a very aggressive Monetary Policy by not only cutting the

Overnight Rate to the lower bound but also made a conditional commitment to keep it there until the end of June 2010. This strategy, combined with fiscal policy in Canada and more drastic actions in other countries, have at least for now been successful in preventing a much feared deflationary spiral.



Based on figures currently available Operating Fund Investment Income for the 2009/10 fiscal year is calculated to be \$539,931 versus a previous projection of \$500,000 and a budget of \$715,000. This change in projected income is largely due to higher than anticipated Operating Fund balances as the rate of return was largely as forecast at .60% versus a budgeted rate of 1.03%.

Cumulative incremental gross investment income from the 2007 Policy change that expanded the Non-Government Sector Weight was \$682,617 or a \$5,566 increase during the Quarter. Investment strategies again did not emphasis maximizing the Non-Government Sector.

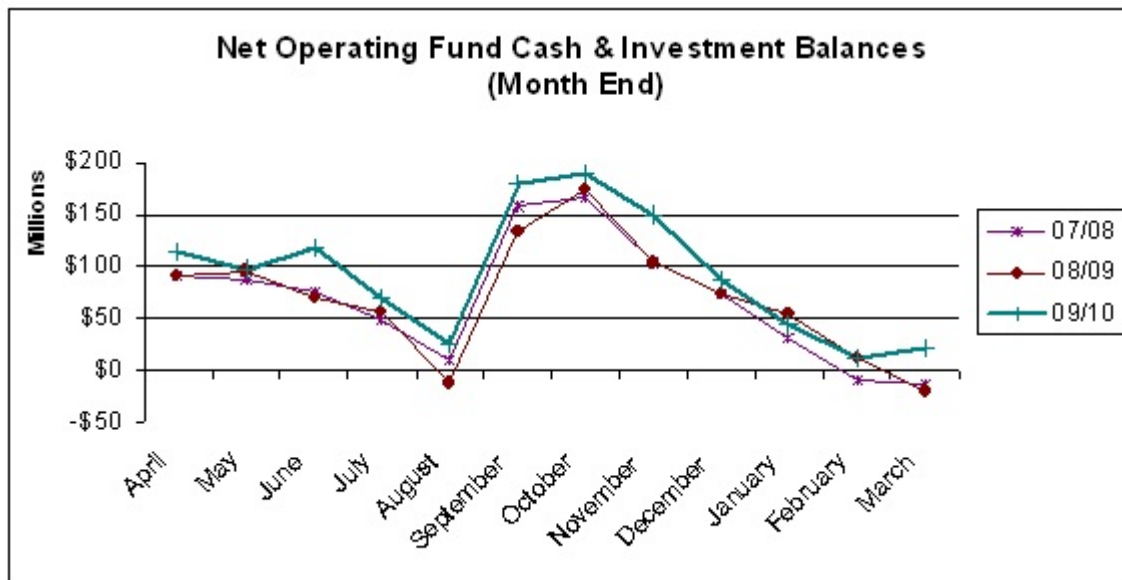
#### HRM Short Term Bond Pool

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 4.31% to a low of 3.07% for the most recent addition in October of 2009. While currently relatively modest in size at \$5 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

After tracking above previous years' levels for most of the year Net Operating Fund balances declined in January and February only to move sharply higher at the end of March. The ability to explain these variances has been greatly hampered by the lack of reporting from the new Revenue software implemented in 2008. It is anticipated that this functionality will be available shortly and that it will allow for reporting from

previous periods so that cash flow models can be rebuilt with more accurate data. Some potential explanations for what amounts to a swing of some \$40 million at the end of March are offered below. It should also be noted that these figures may change should there be additional year end adjustments.



When funding Capital Projects Accounting staff

have been using Reserve funding first when applicable versus Capital from Operating funds. The net result is that Reserves will tend to be drawn down to extinguish bridge financing that is provided by the Operating Fund. In addition, funds held in the Capital from Operating account will serve to increase Operating Fund balances. While the precise impact has not been quantified, the Capital from Operating Suspense account saw an increase from some \$25 million at March 31 last year to \$33 million this year. In addition Reserve balances dropped from some \$155 million last year to \$114 million this year.

Using the current out of date cash flow model it also appears that expenses were lower in March of this year and revenues higher for a net difference of some \$15 million compared to March of last year.

The attached Sector Weight Schedules show that the Province of Ontario exceeded the Guideline Limit by some \$250,000 at March 31, 2010. From approximately mid February to the end of March Province of Ontario investments exceeded the Policy Guideline Limits by varying amounts with a peak of some \$9.2 million March 17. This is as a result of cyclical portfolio contraction. As the HRM portfolio grew again, largely from the inflow of funds from the Spring Tax Billing, Province of Ontario investments fell below the Policy Guideline Limits. It should be noted that the Policy recognizes these fluctuations by stating that the Guideline Limits refer to when investments are made rather than their holding periods. This has been reviewed with the Committee on a number of occasions and no concerns have been expressed

The bank account balance was generally kept elevated to take advantage of the relatively high level of interest versus short term Financial Institution instruments. The average level for the Quarter was 82% of the Policy maximum.

Subsequent to End of Reporting Quarter

The Bank of Canada dropped the conditional commitment to hold rates to the end of June at their April 20 meeting. Markets immediately began to price in a 25 bps interest rate increase for the next meeting June 1. There was also early speculation of a 50 bps increase. In subsequent public comments Governor Carney indicated that removal of the conditional commitment was in itself a tightening of Monetary Policy and that the future path of Monetary Policy was not 'pre-ordained' but would depend on the outlook for economic activity and inflation. While it was somewhat surprising that the Bank of Canada decided to remove the conditional commitment so close to its natural expiry date, the timing was fortuitous with the inflow of funds around the April 30 Property Tax Due Date.

Employment reports in Canada and the U.S. showed above consensus gains for April. The Canadian report was particularly strong with a record 109,000 jobs created. Unfortunately these reports were overshadowed by European sovereign debt fears and the U.S. equity market meltdown of the previous day. Explanations for the latter still elude regulators while the near trillion dollar 'fix' for the former is getting mixed reviews as it appears to have relieved a budding liquidity crisis but does little to address underlying solvency issues.

The integration of HRM cash flows with investment strategy facilitated a reduction in the weighted average term to maturity from 115 days at March 31 to 83 days in early May. A shorter term to maturity was desirable after the Bank of Canada withdrew the conditional commitment.

#### Outlook & Strategy

In isolation, the North American economic recovery seems to be progressing as well as could be hoped. In Canada, fiscal and monetary stimulus are priming the economic pump and are aided by upcoming tax changes in BC and Ontario that are stimulating their housing markets. The danger comes later this year as these effects wear off and the lack of fiscal stimulus becomes a drag on the economy. With the size differential of roughly 10 to 1 for our major trading partner, the U.S. economy does not have to grow very much to be supportive for Canada.

Unfortunately, the U.S. faces many challenges including a still troubled housing market, a deficit and debt situation that only looks good compared to the very bad, a labour market that has been devastated and much needed financial system reforms that run the risk of being excessively politicized to be either too punitive or so ineffective they sow the seeds for the next crisis. Of course there are also the risks of 'black swan' events which in this case may be swans covered in Gulf of Mexico crude oil.

Assuming the European debt situation remains contained, the recent labour report in Canada should provide enough confirmation of economic improvement in Canada for the Bank of Canada to begin raising rates June 1 to move away from the lower bound. The duration and magnitude of the tightening cycle will depend on future developments. If nothing else it will provide more room to maneuver should monetary stimulus be needed again soon and fires a shot across the bow of Canadian consumers who may be taking too much advantage of recent low rates.

The well worn strategy of buying at the longer end of the Money Market yield curve and riding it down now has a significantly greater element of interest rate risk. While this strategy has served us well over the past year or so it is time to move on to strategies that work better in a more dynamic interest rate environment. We now prefer a combination of short maturities to take advantage of potential increases in interest rates by the Bank of Canada and longer dated maturities, when adequately compensated for interest rate risk, to lock in

**Investment Activities -  
Quarter Ending March 31, 2010  
Council Report**

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yield should the pace and amount of rate increases be less than expected. This will be superimposed on liquidity management to cover anticipated cash needs and inflows.

**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 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.

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 has occurred. While this has been partially offset by some positive cash flow trends, a budget shortfall for the 2009/10 fiscal year of \$175,000 is currently expected, subject to year end adjustments.

**FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

**COMMUNITY ENGAGEMENT**

Investment activities are reported Quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (3 of 5) are volunteers from the general public. The Committee reports to Council Quarterly on staff's compliance with the Investment Policy. In

addition, the Committee conducts an annual review of the Investment Policy and makes recommendations to Council for any changes considered appropriate.

**ATTACHMENTS**

Sector Weight Schedules @ March 31, 2010 (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  
@ March 31, 2010**

	Catagory 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>30,819,900</b>	<b>18%</b>	<b>169,253,414</b>	<b>100%</b>	<b>138,433,514</b>	<b>82%</b>
Federal Government	Open	30,819,900	18%				
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>109,478,611</b>	<b>65%</b>	<b>169,253,414</b>	<b>100%</b>	<b>59,774,803</b>	<b>35%</b>
Total Alberta (R-1 High)	Open	14,743,440	9%	42,313,354	25%	27,569,914	16%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	14,743,440					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	40,314,489	24%	42,313,354	25%	1,998,865	1%
Manitoba (R-1 Mid)	Open	0	0%	42,313,354	25%	42,313,354	25%
New Brunswick (R-1 Mid)	Open	0	0%	42,313,354	25%	42,313,354	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			42,313,354	25%	42,313,354	25%
Ontario (R-1 High)	Open	42,563,781	25%	42,313,354	25%	-250,427	0%
Quebec (R-1 Mid)	Open	11,856,901	7%	42,313,354	25%	30,456,453	18%
Saskatchewan (R-1 Mid)	Open	0	0%	42,313,354	25%	42,313,354	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>42,313,354</b>	<b>25%</b>	<b>42,313,354</b>	<b>25%</b>
Calgary (R-1 High)	Open			16,925,341	10%	16,925,341	10%
Edmonton (R-1 High)	Open			16,925,341	10%	16,925,341	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>28,954,903</b>	<b>17%</b>	<b>84,626,707</b>	<b>50%</b>	<b>55,671,804</b>	<b>33%</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>28,954,903</b>	<b>17%</b>	<b>84,626,707</b>	<b>50%</b>	<b>55,671,804</b>	<b>33%</b>
Bank of Montreal (R-1 High)	Open	9,999,000	6%	16,925,341	10%	6,926,341	4%
Bank of Nova Scotia (R-1 High)	Open	8,994,450	5%	16,925,341	10%	7,930,891	5%
Canadian Imperial Bank of Commerce (R-1 High)	Open	6,994,330	4%	16,925,341	10%	9,931,011	6%
Royal Bank (R-1 High)	Open	0	2%	16,925,341	10%	13,958,218	8%
Royal Bank - Effective Cash		2,967,123					
Toronto Dominion (R-1 High)	Open	0	0%	16,925,341	10%	16,925,341	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>0</b>	<b>0%</b>	<b>42,313,354</b>	<b>25%</b>	<b>42,313,354</b>	<b>25%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	8,462,671	5%	8,462,671	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	8,462,671	5%	8,462,671	5%
CDP Financial Inc (R-1 High)	Open	0	0%	8,462,671	5%	8,462,671	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	8,462,671	5%	8,462,671	5%
Desjardins Total		0	0%	8,462,671	5%	8,462,671	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centrale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>169,253,414</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		4,968,662	3%				
<b>Total Fixed</b>		<b>4,968,662</b>					
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>174,228,486</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$20,282,456	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>194,510,942</b>					



**Operating Funds  
Sector Weights  
@ March 31, 2010**

SCHEDULE B

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>10,238,091</b>	<b>18%</b>	<b>56,224,450</b>	<b>100%</b>	<b>45,986,358</b>	<b>82%</b>
Federal Government	Open	10,238,091	18%				
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%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>36,367,802</b>	<b>65%</b>	<b>56,224,450</b>	<b>100%</b>	<b>19,856,648</b>	<b>35%</b>
Total Alberta (R-1 High)	Open	4,897,637	9%	14,056,112	25%	9,158,475	16%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	4,897,637					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	13,392,108	24%	14,056,112	25%	664,005	1%
Manitoba (R-1 Mid)	Open	0	0%	14,056,112	25%	14,056,112	25%
New Brunswick (R-1 Mid)	Open	0	0%	14,056,112	25%	14,056,112	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	14,139,302	25%	14,056,112	25%	14,056,112	25%
Ontario (R-1 High)	Open	3,938,755	7%	14,056,112	25%	-83,190	0%
Quebec (R-1 Mid)	Open	0	0%	14,056,112	25%	10,117,357	18%
Saskatchewan (R-1 Mid)	Open	0	0%	14,056,112	25%	14,056,112	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>14,056,112</b>	<b>25%</b>	<b>14,056,112</b>	<b>25%</b>
Calgary (R-1 High)	Open			5,622,445	10%	5,622,445	10%
Edmonton (R-1 High)	Open			5,622,445	10%	5,622,445	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>9,618,556</b>	<b>17%</b>	<b>28,112,225</b>	<b>50%</b>	<b>18,493,669</b>	<b>33%</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>9,618,556</b>	<b>17%</b>	<b>28,112,225</b>	<b>50%</b>	<b>18,493,669</b>	<b>33%</b>
Bank of Montreal (R-1 High)	Open	3,321,577	6%	5,622,445	10%	2,300,868	4%
Bank of Nova Scotia (R-1 High)	Open	2,987,875	5%	5,622,445	10%	2,634,570	5%
Canadian Imperial Bank of Commerce (R-1 High)	Open	2,323,453	4%	5,622,445	10%	3,298,992	6%
Royal Bank (R-1 High)	Open	0	2%	5,622,445	10%	4,636,794	8%
Royal Bank - Effective Cash		985,651 }					
Toronto Dominion (R-1 High)	Open	0	0%	5,622,445	10%	5,622,445	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>0</b>	<b>0%</b>	<b>14,056,112</b>	<b>25%</b>	<b>14,056,112</b>	<b>25%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	2,811,222	5%	2,811,222	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	2,811,222	5%	2,811,222	5%
CDP Financial Inc (R-1 High)	Open	0	0%	2,811,222	5%	2,811,222	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	2,811,222	5%	2,811,222	5%
Desjardins Total		0	0%	2,811,222	5%	2,811,222	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
		0					
<b>Total Investments</b>		<b>56,224,450</b>	<b>100%</b>				
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$20,282,456	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>76,506,906</b>					

## SCHEDULE C

**Capital Funds  
Sector Weights  
@ March 31, 2010**

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	0%	0	25%	0	0%
Ontario (R-1 High)	Open	0	0%	0	25%	0	0%
Quebec (R-1 Mid)	Open	0	0%	0	25%	0	0%
Saskatchewan (R-1 Mid)	Open		0%	0	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>				

## SCHEDULE D

**Reserve Funds  
Sector Weights  
@ March 31, 2010**

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>19,967,324</b>	<b>18%</b>	<b>109,654,401</b>	<b>100%</b>	<b>89,687,077</b>	<b>82%</b>
Federal Government	Open	19,967,324	18%				
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>70,928,032</b>	<b>65%</b>	<b>109,654,401</b>	<b>100%</b>	<b>38,726,369</b>	<b>35%</b>
Total Alberta (R-1 High)	Open	9,551,849	9%	27,413,600	25%	17,861,751	16%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	9,551,849					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	26,118,594	24%	27,413,600	25%	1,295,007	1%
Manitoba (R-1 Mid)	Open	0	0%	27,413,600	25%	27,413,600	25%
New Brunswick (R-1 Mid)	Open	0	0%	27,413,600	25%	27,413,600	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			27,413,600	25%	27,413,600	25%
Ontario (R-1 High)	Open	27,575,845	25%	27,413,600	25%	-162,245	0%
Quebec (R-1 Mid)	Open	7,681,744	7%	27,413,600	25%	19,731,856	18%
Saskatchewan (R-1 Mid)	Open	0	0%	27,413,600	25%	27,413,600	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>27,413,600</b>	<b>25%</b>	<b>27,413,600</b>	<b>25%</b>
Calgary (R-1 High)	Open			10,965,440	10%	10,965,440	10%
Edmonton (R-1 High)	Open			10,965,440	10%	10,965,440	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>18,759,046</b>	<b>17%</b>	<b>54,827,201</b>	<b>50%</b>	<b>36,068,155</b>	<b>33%</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>18,759,046</b>	<b>17%</b>	<b>54,827,201</b>	<b>50%</b>	<b>36,068,155</b>	<b>33%</b>
Bank of Montreal (R-1 High)	Open	6,478,063	6%	10,965,440	10%	4,487,377	4%
Bank of Nova Scotia (R-1 High)	Open	5,827,245	5%	10,965,440	10%	5,138,196	5%
Canadian Imperial Bank of Commerce (R-1 High)	Open	4,531,424	4%	10,965,440	10%	6,434,016	6%
Royal Bank (R-1 High)	Open	0	2%	10,965,440	10%	9,043,127	8%
Royal Bank - Effective Cash		1,922,313 }					
Toronto Dominion (R-1 High)	Open	0	0%	10,965,440	10%	10,965,440	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>0</b>	<b>0%</b>	<b>27,413,600</b>	<b>25%</b>	<b>27,413,600</b>	<b>25%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	5,482,720	5%	5,482,720	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	5,482,720	5%	5,482,720	5%
CDP Financial Inc (R-1 High)	Open	0	0%	5,482,720	5%	5,482,720	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	5,482,720	5%	5,482,720	5%
Desjardins Total		0	0%	5,482,720	5%	5,482,720	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>109,654,401</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		4,968,662	4%				
<b>Total Fixed</b>		<b>4,968,662</b>					
<b>Total Investments</b>		<b>114,623,063</b>					

**Trust Funds  
Sector Weights  
@ March 31, 2010**

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>614,485</b>	<b>18%</b>	<b>3,374,563</b>	<b>100%</b>	<b>2,760,078</b>	<b>82%</b>
Federal Government	Open	614,485	18%				
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>2,182,777</b>	<b>65%</b>	<b>3,374,563</b>	<b>100%</b>	<b>1,191,786</b>	<b>35%</b>
Total Alberta (R-1 High)	Open	293,954	9%	843,641	25%	549,687	16%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	293,954					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	803,788	24%	843,641	25%	39,853	1%
Manitoba (R-1 Mid)	Open	0	0%	843,641	25%	843,641	25%
New Brunswick (R-1 Mid)	Open	0	0%	843,641	25%	843,641	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			843,641	25%	843,641	25%
Ontario (R-1 High)	Open	848,634	25%	843,641	25%	-4,993	0%
Quebec (R-1 Mid)	Open	236,402	7%	843,641	25%	607,239	18%
Saskatchewan (R-1 Mid)	Open	0	0%	843,641	25%	843,641	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>843,641</b>	<b>25%</b>	<b>843,641</b>	<b>25%</b>
Calgary (R-1 High)	Open			337,456	10%	337,456	10%
Edmonton (R-1 High)	Open			337,456	10%	337,456	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>577,301</b>	<b>17%</b>	<b>1,687,282</b>	<b>50%</b>	<b>1,109,981</b>	<b>33%</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>577,301</b>	<b>17%</b>	<b>1,687,282</b>	<b>50%</b>	<b>1,109,981</b>	<b>33%</b>
Bank of Montreal (R-1 High)	Open	199,359	6%	337,456	10%	138,097	4%
Bank of Nova Scotia (R-1 High)	Open	179,331	5%	337,456	10%	158,126	5%
Canadian Imperial Bank of Commerce (R-1 High)	Open	139,452	4%	337,456	10%	198,004	6%
Royal Bank (R-1 High)	Open	0	2%	337,456	10%	278,298	8%
Royal Bank - Effective Cash		59,158 }					
Toronto Dominion (R-1 High)	Open	0	0%	337,456	10%	337,456	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>0</b>	<b>0%</b>	<b>843,641</b>	<b>25%</b>	<b>843,641</b>	<b>25%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	168,728	5%	168,728	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	168,728	5%	168,728	5%
CDP Financial Inc (R-1 High)	Open	0	0%	168,728	5%	168,728	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	168,728	5%	168,728	5%
Desjardins Total		0	0%	168,728	5%	168,728	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>3,374,563</b>	<b>100%</b>				
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>3,380,973</b>					

## Appendix A

### Economic Statistics

	Canada	US
Unemployment Rate	Jan. 8.3%, Feb. 8.2%, Mar 8.2%	Jan. 9.7%, Feb. 9.7%, Mar 9.7%
Jobs Created / (Lost) ('000's)	Jan. 43, Feb. 21, Mar. 18	Jan. (20), Feb. 39, Mar 230
CPI (year over year)	Jan. 1.9%, Feb. 1.6%, Mar 1.4%	Jan. 2.6%, Feb. 2.1%, Mar 2.3%
CPI-X (Core) (year over year)	Jan. 2.0%, Feb. 2.1%, Mar 1.7%	Jan. 1.6%, Feb. 1.3%, Mar 1.1%
GDP Q4	TBA	3.2A

### Central Bank Activities

- Jan 19 Bank of Canada maintains overnight rate target at .25%
  - Jan 27 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
  - Mar 2 Bank of Canada maintains overnight rate target at .25%
  - Mar 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 Finance Trust

**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.