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**Item No. 8**  
**Halifax Regional Council**  
**September 14, 2010**

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

Original Signed by Director

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

**DATE:** September 10, 2010

**SUBJECT:** Investment Activities - Quarter Ending June 30, 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 June 30, 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 June 30, 2010:

Money Market Funds	3 Months (to June 30, 2010)	6 Months (to June 30, 2010)	1 Year (to June 30, 2010)
5 <sup>th</sup> Percentile	.21%	.38%	.97%
1 <sup>st</sup> Quartile	.15%	.27%	.63%
Mercer Median	.13%	.23%	.53%
3 <sup>rd</sup> Quartile	.10%	.16%	.37%
95 <sup>th</sup> Percentile	.05%	.10%	.26%
DEX 91 Day T-Bills	.12%	.17%	.33%
<b>HRM</b>	<b>.15%</b>	<b>.28%</b>	<b>.54%</b>

While the level of returns have been dismal, relative performance has been favorable with the one year rate just above Median and 1st Quartile for shorter terms. Savings on fees that would have been paid for external investment management further enhance returns to HRM. The inflow of cash from the interim tax billing allowed staff to take advantage of the backup in yields when the Bank of Canada removed the conditional commitment to hold rates until the end of June 2010. Returns also benefitted from some selective sales in early April. As discussed in other parts of this report, some short term yields are starting to rise from the apocalyptic levels of the past couple of years. How fast rates return to what may be considered normal in the future as well as what that level might be remains an open question. Staff are certainly hopeful that the rates of return shown above are lows that will not be seen again for a very long time.

The Quarter saw 62 investments made at a cost of \$239,613,000 with an average term to maturity of 136 days. This compares to last year's 1st Quarter of 91 investments made at a cost of \$344,127,000 with an average term of 164 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 and was used extensively. The long end of the yield curve, particularly the Provincial sector, offered relatively attractive yields at times so this segment was frequently emphasized when not covering short term needs.

A strategy preferred in this environment is a combination of short maturities to take advantage of potential increases in interest rates by the Bank of Canada and longer dated maturities to lock in yield should the pace and amount of rate increases be less than expected by the market. This is superimposed on liquidity management to cover anticipated cash needs and inflows. Staff were also cognizant of the budget target when deciding whether to lock in yield through longer dated instruments. The table below, which shows the term to maturity of the Money Market portfolio, helps illustrate this strategy compared to last year when the Bank of Canada's conditional commitment led to a much greater emphasis on longer dated instruments.

	June 30, 2009	June 30, 2010
1st Quartile	114 days	36 days
Median	150 days	64 days
3rd Quartile	233 days	156 days

Operating Fund Investment Income for the Quarter was \$205,000 versus a budget of \$112,000. This was a result of positive cash flow and rate of return variances. The rate of return was .15% versus a budgeted rate of .10% for the Quarter. The budgeted rate of return of .80% for the year assumes further substantial rate increases. It is still too early to reasonably project investment income for the fiscal year.

Cumulative incremental gross investment income from the 2007 Policy change that expanded the Non-Government Sector Weight was \$700,658.37 or a \$18,041.09 increase during the Quarter. Investment strategies again did not emphasize maximizing the Non-Government Sector.



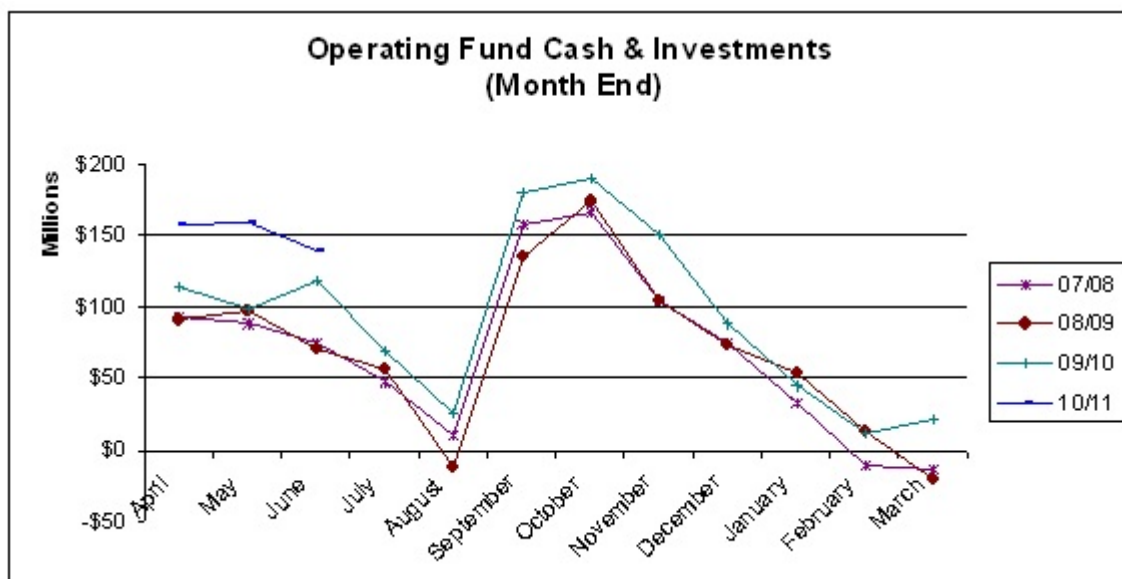
As the graph below illustrates, after a prolonged period of hibernation short term yields are starting to show some life:

### 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

The elevated Operating Fund cash and investment levels from March carried over into the new fiscal year and were further reinforced by an increase in tax revenue as a result of the change in methodology for calculating the interim tax billing. The new calculation method was instituted to offset some of the investment income losses from the change in the tax due date to the end of October from the end of



September beginning this year. The atypical June month end balance of last year was mostly due to a larger than usual Spring bond issue.

Staff are very pleased to advise that reporting recently became available from the new revenue system and a rebuilding of cash flow models is well underway.

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There were a couple of instances where portfolio shrinkage during the Quarter caused the Sector Weight guidelines to be temporarily exceeded for two Financial Institutions. In addition, after the end of the Quarter the Province of Ontario also exceeded the Sector Weight guidelines for a period of time because of contraction of the portfolio. These and similar instances have been discussed with the Committee with no concerns being expressed.

The average level for the bank account for the Quarter was 73% of the Policy maximum. This reflects a general tendency to keep the bank account near maximum to take advantage of the relatively attractive rates occasionally interrupted by the deployment of cash in longer terms to lock in yield.

#### Subsequent to End of Reporting Quarter

The Bank of Canada raised rates again by .25% at its July 20 meeting and provided more details on its views with the July 22 Monetary Policy Report. While the Bank is cautious on a number of fronts and stated that further reductions in monetary stimulus must be weighted carefully against domestic and global developments, it also said the anticipated closing of the output gap can be achieved in the context of gradual rate increases. In other words the pace of future rate increases will depend on future events.

At its August 10 meeting the U.S. FOMC tweaked its quantitative easing program, and signaled further concern over the economy, by announcing that it would re-invest maturing investments rather than let their balance sheet shrink as part of a long term exist strategy.

#### Outlook & Strategy

At least for the moment, markets seem to be at peace with sovereign credit risk and more focused on the implications of governments starting to address their fiscal imbalances. Slow growth appears to be the best that can be hoped for. While corporate earnings, particularly in the U.S., have surprised on the upside of analysts' expectations the broader implication of this is anemic job growth as corporations delay hiring. Some commentators suggest that the U.S. Federal Reserve may not raise rates for another 2 or 3 years. Given that the U.S. Federal Reserve has a dual mandate of price stability and maximum employment this may not be an unrealistic assumption. In another measure of distress, Americans receiving food stamps reached a record 40.8 million in May, roughly an eighth of the population, with the White House projecting the figure to rise to 43.3 million in 2011.

Economically, Canada may continue to be the best of a bad lot with our resource base and strong banking system facilitating credit creation. While we continue to believe the Bank of Canada has the desire and ability to continue to remove some monetary stimulus it will not be straight up from here but rather we expect a lengthy pause or two even in the more optimistic economic growth scenarios. The possibility of deflation and an eventual backtracking by the Bank of Canada also cannot be ruled out.

With times "unusually uncertain", to quote Chairman Bernanke, we expect to continue to deploy the strategy of buying longer dated instruments when yields are attractive but also keeping a substantial part of the portfolio short to take advantage of interest rate increases and manage liquidity. We are also beginning to

purchase Government Floating Rate Notes that in the short term enhance yield while offering the potential to participate in future rate increases.

**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 above median for the year ending June 30 on a before fee basis and on an after estimated fee basis the rate of return was well in excess of the Mercer Median.

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

**BUDGET IMPLICATIONS**

While initial indications have been positive for the achievement of the Operating Fund Investment Income budget, potential future variations in cash flows and interest rates make it difficult to reliably project this income for the entire fiscal year. Staff will be in a better position to make these projections after the final tax billing in October.

**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 @ June 30, 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  
@ June 30, 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>29,774,660</b>	<b>11%</b>	<b>281,006,232</b>	<b>100%</b>	<b>251,231,572</b>	<b>89%</b>
Federal Government	Open	29,774,660	11%				
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>146,315,974</b>	<b>52%</b>	<b>281,006,232</b>	<b>100%</b>	<b>134,690,258</b>	<b>48%</b>
Total Alberta (R-1 High)	Open	10,950,050	4%	70,251,558	25%	59,301,508	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	10,950,050					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	41,015,614	15%	70,251,558	25%	29,235,944	10%
Manitoba (R-1 Mid)	Open	0	0%	70,251,558	25%	70,251,558	25%
New Brunswick (R-1 Mid)	Open	0	0%	70,251,558	25%	70,251,558	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			70,251,558	25%	70,251,558	25%
Ontario (R-1 High)	Open	65,506,058	23%	70,251,558	25%	4,745,500	2%
Quebec (R-1 Mid)	Open	28,844,252	10%	70,251,558	25%	41,407,306	15%
Saskatchewan (R-1 Mid)	Open	0	0%	70,251,558	25%	70,251,558	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>70,251,558</b>	<b>25%</b>	<b>70,251,558</b>	<b>25%</b>
Calgary (R-1 High)	Open			28,100,623	10%	28,100,623	10%
Edmonton (R-1 High)	Open			28,100,623	10%	28,100,623	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>104,915,598</b>	<b>37%</b>	<b>140,503,116</b>	<b>50%</b>	<b>35,587,518</b>	<b>13%</b>
	<b>BA's Schedule A Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>81,866,663</b>	<b>29%</b>	<b>140,503,116</b>	<b>50%</b>	<b>58,636,453</b>	<b>21%</b>
Bank of Montreal (R-1 High)	Open	13,977,360	5%	28,100,623	10%	14,123,263	5%
Bank of Nova Scotia (R-1 High)	Open	20,147,016	7%	28,100,623	10%	7,953,607	3%
Canadian Imperial Bank of Commerce (R-1 High)	Open	24,064,879	9%	28,100,623	10%	4,035,744	1%
Royal Bank (R-1 High)	Open	0 }	8%	28,100,623	10%	4,423,215	2%
Royal Bank - Effective Cash		23,677,408 }					
Toronto Dominion (R-1 High)	Open	0	0%	28,100,623	10%	28,100,623	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>23,048,935</b>	<b>8%</b>	<b>70,251,558</b>	<b>25%</b>	<b>47,202,623</b>	<b>17%</b>
National Bank of Canada (R-1 Mid)	Open	11,065,385	4%	14,050,312	5%	2,984,927	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	14,050,312	5%	14,050,312	5%
CDP Financial Inc (R-1 High)	Open	0	0%	14,050,312	5%	14,050,312	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	14,050,312	5%	14,050,312	5%
Desjardins Total		11,983,550	4%	14,050,312	5%	2,066,762	1%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	11,983,550					
<b>Total Cash and Equivalents</b>		<b>281,006,232</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		4,970,235	2%				
<b>Total Fixed</b>		<b>4,970,235</b>					
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>285,982,877</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$13,479,206	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>299,462,083</b>					



**Operating Funds  
Sector Weights  
@ June 30, 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>18,944,090</b>	<b>11%</b>	<b>178,789,864</b>	<b>100%</b>	<b>159,845,774</b>	<b>89%</b>
Federal Government	Open	18,944,090	11%				
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>93,093,356</b>	<b>52%</b>	<b>178,789,864</b>	<b>100%</b>	<b>85,696,508</b>	<b>48%</b>
Total Alberta (R-1 High)	Open	6,966,956	4%	44,697,466	25%	37,730,510	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	6,966,956					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	26,096,133	15%	44,697,466	25%	18,601,333	10%
Manitoba (R-1 Mid)	Open	0	0%	44,697,466	25%	44,697,466	25%
New Brunswick (R-1 Mid)	Open	0	0%	44,697,466	25%	44,697,466	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			44,697,466	25%	44,697,466	25%
Ontario (R-1 High)	Open	41,678,148	23%	44,697,466	25%	3,019,318	2%
Quebec (R-1 Mid)	Open	18,352,119	10%	44,697,466	25%	26,345,347	15%
Saskatchewan (R-1 Mid)	Open	0	0%	44,697,466	25%	44,697,466	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>44,697,466</b>	<b>25%</b>	<b>44,697,466</b>	<b>25%</b>
Calgary (R-1 High)	Open			17,878,986	10%	17,878,986	10%
Edmonton (R-1 High)	Open			17,878,986	10%	17,878,986	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>66,752,418</b>	<b>37%</b>	<b>89,394,932</b>	<b>50%</b>	<b>22,642,514</b>	<b>13%</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>52,087,562</b>	<b>29%</b>	<b>89,394,932</b>	<b>50%</b>	<b>37,307,370</b>	<b>21%</b>
Bank of Montreal (R-1 High)	Open	8,893,078	5%	17,878,986	10%	8,985,909	5%
Bank of Nova Scotia (R-1 High)	Open	12,818,514	7%	17,878,986	10%	5,060,473	3%
Canadian Imperial Bank of Commerce (R-1 High)	Open	15,311,249	9%	17,878,986	10%	2,567,737	1%
Royal Bank (R-1 High)	Open	0 }	8%	17,878,986	10%	2,814,265	2%
Royal Bank - Effective Cash		15,064,721 }					
Toronto Dominion (R-1 High)	Open	0	0%	17,878,986	10%	17,878,986	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>14,664,856</b>	<b>8%</b>	<b>44,697,466</b>	<b>25%</b>	<b>30,032,610</b>	<b>17%</b>
National Bank of Canada (R-1 Mid)	Open	7,040,337	4%	8,939,493	5%	1,899,156	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	8,939,493	5%	8,939,493	5%
CDP Financial Inc (R-1 High)	Open	0	0%	8,939,493	5%	8,939,493	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	8,939,493	5%	8,939,493	5%
Desjardins Total		7,624,519	4%	8,939,493	5%	1,314,974	1%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	7,624,519					
<b>Total Investments</b>		<b>178,789,864</b>	<b>100%</b>				
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$13,479,206	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>192,269,070</b>					

**Capital Funds  
Sector Weights  
@ June 30, 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	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					

Total Cash and Equivalents

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0      0%



**Reserve Funds  
Sector Weights  
@ June 30, 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>10,475,723</b>	<b>11%</b>	<b>98,867,412</b>	<b>100%</b>	<b>88,391,688</b>	<b>89%</b>
Federal Government	Open	10,475,723	11%				
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>51,478,864</b>	<b>52%</b>	<b>98,867,412</b>	<b>100%</b>	<b>47,388,548</b>	<b>48%</b>
Total Alberta (R-1 High)	Open	3,852,595	4%	24,716,853	25%	20,864,258	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	3,852,595					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	14,430,668	15%	24,716,853	25%	10,286,185	10%
Manitoba (R-1 Mid)	Open	0	0%	24,716,853	25%	24,716,853	25%
New Brunswick (R-1 Mid)	Open	0	0%	24,716,853	25%	24,716,853	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			24,716,853	25%	24,716,853	25%
Ontario (R-1 High)	Open	23,047,227	23%	24,716,853	25%	1,669,626	2%
Quebec (R-1 Mid)	Open	10,148,375	10%	24,716,853	25%	14,568,478	15%
Saskatchewan (R-1 Mid)	Open	0	0%	24,716,853	25%	24,716,853	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>24,716,853</b>	<b>25%</b>	<b>24,716,853</b>	<b>25%</b>
Calgary (R-1 High)	Open			9,886,741	10%	9,886,741	10%
Edmonton (R-1 High)	Open			9,886,741	10%	9,886,741	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>36,912,824</b>	<b>37%</b>	<b>49,433,706</b>	<b>50%</b>	<b>12,520,882</b>	<b>13%</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>28,803,436</b>	<b>29%</b>	<b>49,433,706</b>	<b>50%</b>	<b>20,630,270</b>	<b>21%</b>
Bank of Montreal (R-1 High)	Open	4,917,704	5%	9,886,741	10%	4,969,037	5%
Bank of Nova Scotia (R-1 High)	Open	7,088,396	7%	9,886,741	10%	2,798,346	3%
Canadian Imperial Bank of Commerce (R-1 High)	Open	8,466,831	9%	9,886,741	10%	1,419,910	1%
Royal Bank (R-1 High)	Open	0 }	8%	9,886,741	10%	1,556,235	2%
Royal Bank - Effective Cash		8,330,506 }					
Toronto Dominion (R-1 High)	Open	0	0%	9,886,741	10%	9,886,741	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>8,109,388</b>	<b>8%</b>	<b>24,716,853</b>	<b>25%</b>	<b>16,607,465</b>	<b>17%</b>
National Bank of Canada (R-1 Mid)	Open	3,893,173	4%	4,943,371	5%	1,050,197	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	4,943,371	5%	4,943,371	5%
CDP Financial Inc (R-1 High)	Open	0	0%	4,943,371	5%	4,943,371	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	4,943,371	5%	4,943,371	5%
Desjardins Total		4,216,215	4%	4,943,371	5%	727,156	1%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	4,216,215					
<b>Total Cash and Equivalents</b>		<b>98,867,412</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		4,970,235	5%				
<b>Total Fixed</b>		<b>4,970,235</b>					
<b>Total Investments</b>		<b>103,837,647</b>					

**Trust Funds  
Sector Weights  
@ June 30, 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>354,846</b>	<b>11%</b>	<b>3,348,956</b>	<b>100%</b>	<b>2,994,110</b>	<b>89%</b>
Federal Government	Open	354,846	11%				
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>1,743,754</b>	<b>52%</b>	<b>3,348,956</b>	<b>100%</b>	<b>1,605,202</b>	<b>48%</b>
Total Alberta (R-1 High)	Open	130,500	4%	837,239	25%	706,739	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	130,500					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	488,813	15%	837,239	25%	348,426	10%
Manitoba (R-1 Mid)	Open	0	0%	837,239	25%	837,239	25%
New Brunswick (R-1 Mid)	Open	0	0%	837,239	25%	837,239	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			837,239	25%	837,239	25%
Ontario (R-1 High)	Open	780,683	23%	837,239	25%	56,556	2%
Quebec (R-1 Mid)	Open	343,758	10%	837,239	25%	493,481	15%
Saskatchewan (R-1 Mid)	Open	0	0%	837,239	25%	837,239	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>837,239</b>	<b>25%</b>	<b>837,239</b>	<b>25%</b>
Calgary (R-1 High)	Open			334,896	10%	334,896	10%
Edmonton (R-1 High)	Open			334,896	10%	334,896	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>1,250,356</b>	<b>37%</b>	<b>1,674,478</b>	<b>50%</b>	<b>424,122</b>	<b>13%</b>
	<b>BA's Schedule A Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>975,665</b>	<b>29%</b>	<b>1,674,478</b>	<b>50%</b>	<b>698,813</b>	<b>21%</b>
Bank of Montreal (R-1 High)	Open	166,578	5%	334,896	10%	168,317	5%
Bank of Nova Scotia (R-1 High)	Open	240,107	7%	334,896	10%	94,789	3%
Canadian Imperial Bank of Commerce (R-1 High)	Open	286,799	9%	334,896	10%	48,097	1%
Royal Bank (R-1 High)	Open	0 }	8%	334,896	10%	52,715	2%
Royal Bank - Effective Cash		282,181 }					
Toronto Dominion (R-1 High)	Open	0	0%	334,896	10%	334,896	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>274,691</b>	<b>8%</b>	<b>837,239</b>	<b>25%</b>	<b>562,548</b>	<b>17%</b>
National Bank of Canada (R-1 Mid)	Open	131,874	4%	167,448	5%	35,574	1%
OMERS Realty Corporation (R-1 High)	Open	0	0%	167,448	5%	167,448	5%
CDP Financial Inc (R-1 High)	Open	0	0%	167,448	5%	167,448	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	167,448	5%	167,448	5%
Desjardins Total		142,817	4%	167,448	5%	24,631	1%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	142,817					
<b>Total Cash and Equivalents</b>		<b>3,348,956</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>3,355,366</b>					

## Appendix A

### Economic Statistics

	Canada	US
Unemployment Rate	Apr 8.1%, May 8.1%, Jun 7.9%	Apr 9.9%, May 9.7%, Jun 9.5%
Jobs Created / (Lost) ('000's)	Apr 109, May 25, Jun 93	Apr 290, May 431, Jun (125)
CPI (year over year)	Apr 1.8%, May 1.4%, Jun 1.0%	Apr 2.2%, May 2.0%, Jun 1.1%
CPI-X (Core) (year over year)	Apr 1.1%, May 1.0%, Jun .9%	Apr .9%, May .9%, Jun .9%
Q2 GDP	TBA	2.4%A

### Central Bank Activities

- April 20 Bank of Canada maintains overnight rate target at .25% removes conditional commitment
  - April 28 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
  - June 1 Bank of Canada increases overnight to .50%
  - June 23 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
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**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.