

Item No. 3
Halifax Regional Council
May 10, 2011

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
Councillor Gloria McCluskey, Chair, Audit and Finance Standing
Committee

DATE: April 21, 2011

SUBJECT: Investment Activities – Quarter Ending December 31, 2010

INFORMATION REPORT

ORIGIN

The April 20, 2011 Audit and Finance Standing Committee meeting.

BACKGROUND

A staff Information Report, dated April 11, 2011, in regard to the Investment Activities – Quarter Ending December 31, 2010 was submitted to the Audit and Finance Standing Committee for their April 20, 2011 meeting.

DISCUSSION

The Audit and Finance Standing Committee reviewed the report at their April 20, 2011 meeting then passed a motion to accept the Information Report and forward it to Regional Council.

BUDGET IMPLICATIONS

See the April 11, 2011 Information Report.

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

See the April 11, 2011 Information Report.

ALTERNATIVES

None.

ATTACHMENTS

1. Information Report dated April 11, 2011.

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: Chris Newson, Legislative Assistant, 490-6732



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Audit and Finance Committee
April 20, 2011

TO: Chair and Members of the Audit and Finance Committee

Original Signed

SUBMITTED BY: _____
For Bruce Fisher, CMA, Acting Director of Finance and Chief Financial Officer

DATE: April 11, 2011

SUBJECT: Investment Activities - Quarter Ending December 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 December 31, 2010 has been reviewed by the Committee. An information report from the Committee on staff's compliance with the objectives of the HRM Investment Policy has also been sent to the Finance and Audit Committee for the April 20th meeting.

Staff's practice has been to meet with the Investment Policy Advisory Committee to review investment activities prior to reporting to Council and or the Finance and Audit Committee. This provides an opportunity for the Investment Policy Advisory Committee to provide their

comments to Council and or the Finance and Audit Committee on any Investment Policy variances at the same time as the staff report. Subject to the availability of the volunteer members of the Investment Policy Advisory Committee, meetings generally take place around six weeks after the end of a Quarter which allows for time for receipt of relative investment performance data. However, the Quarter ending December 31, 2010 has proved to be an exception. Because one of the three volunteer members was out of the country and the Investment Policy Advisory Committee was planning on beginning the annual review of the Investment Policy, after consultation the Committee agreed to postpone their meeting to the end of March. As a result both the staff report and the report from the Investment Policy Advisory Committee for the Quarter ending December 31, 2010 are somewhat delayed compared to usual practice.

DISCUSSION

HRM Investment Activities

HRM Short Term (Money Market Pool) Investment Performance

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, 2010:

Money Market Funds	3 Months (to Dec. 31, 2010)	1 Year (to Dec. 31, 2010)
5 th Percentile	.33%	.96%
1 st Quartile	.30%	.75%
Mercer Median	.26%	.70%
3 rd Quartile	.24%	.57%
95 th Percentile	.18%	.43%
Dec 91 Day T-Bills	.23%	.54%
HRM	.28%	.77%

Relative performance continues to be positive with 2nd quartile performance for the 3 month period and 1st quartile ranking in the one year. Savings on fees that would have been paid to an external management firm add to the net return and income to HRM. The very high quality and conservative asset mix of HRM investments has been maintained. Staff believes the relative performance is due to successful interest rate risk strategies.

The Quarter saw 51 money market investments made at a cost of \$218,797,000 with an average term to maturity of 139 days. This compares to last year's 3rd Quarter of 51 investments made at a cost of \$219,232,000 with an average term of 119 days. Three Floating Rate Notes totaling \$6,000,000 were also purchased during the reporting Quarter. The relatively similar activity levels for 2010 versus 2009 seem counterintuitive given the change in the property tax due date to the end of October in 2010. Analysis indicates that fewer investments occurred in 2010 as a result of the rollover of maturities. Proceeds from maturities tended to be consumed by cash requirements as was also the case for cash inflows from the property tax billing.

The bank account continued to offer an attractive alternative to other short term instruments and was used extensively. Staff also took advantage of some opportunities to lock in yield in the 6 months to 1 year term in Provincial instruments and, to a lesser extent, Government of Canada T-Bills.

Positive cash flow trends for the Operating Fund have continued such that the projection for Operating Fund Investment Income has been revised up to \$925,000 from \$905,000. The rate of return for the year is anticipated to be .93% versus the budgeted rate of .80%, which is roughly in line with previous projections. The current rate of return on the portfolio is approximately 1.22%.

For the upcoming budget year, staff has again based the rate of return on the average of the Big 6 Canadian Bank forecasts and have calculated a different rate for each Quarter. The result is an annual rate of 1.75% and budgeted Operating Fund Investment Income of \$1,435,000.

The cumulative incremental gross investment income from the 2007 Policy change that expanded the Non-Government Sector Weight was \$725,087.54 or a \$22,519.22 increase during the Quarter. Investment strategies again did not emphasize maximizing the Non-Government Sector.

HRM Short Term Bond Pool

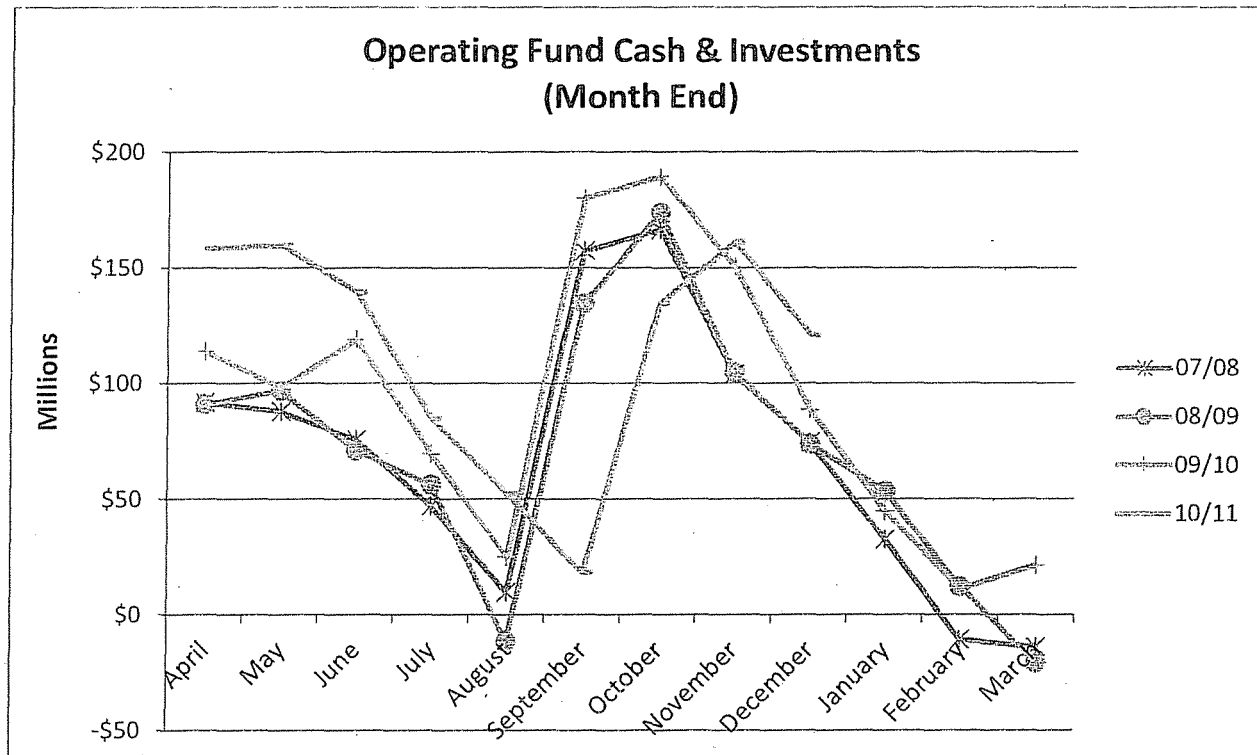
The Short Term Bond Pool holds bonds to a maximum term to maturity of approximately five years. Including 3 purchases made during this reporting quarter, \$6,000,000 of bonds are held with yields ranging from 2.21% to 4.30%. These bonds are guaranteed by either the Government of Canada or highly rated Provinces. Staff continues to look for opportunities to add to the Bond Pool with the ever changing outlook for future interest rates over a potential five year holding period a key consideration.

Cash Flows

A number of instances where the sector weight guidelines were exceeded during the reporting Quarter were discussed in the last report. Each case was reviewed with the Investment Policy Advisory Committee in detail. As reflected in the report from the Investment Committee to the

Audit and Finance Committee, they concur with staff that these temporary variances did not pose a material increase in risk.

After the distortion from the change in the property tax due date to the end of October, the trend of Operating Fund cash and investment balances exceeding those of previous years' remains intact.



The average level for the bank account for the Quarter was 83%. 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 sounded cautiously optimistic while holding rates constant at their January 18 and March 1 meetings. Geopolitical risks, and their potential impacts on commodity prices, were noted in the March 1 statement. The tragic earthquake, tsunami and nuclear crisis of March 11 has added another unanticipated exogenous shock to the global economy. While the human toll is heart wrenching, the economic impact is currently being widely debated. The onset of the Federal election in Canada has led many to believe that the Bank of Canada will adopt a more neutral tone than may have otherwise been the case to avoid appearing partisan. Whether this is actually the case will be known shortly with a rate decision on April 12 and the Monetary Policy Report on April 13.

The U.S. Treasury announced it would begin selling off its portfolio of \$142 billion of Mortgage Backed Security (MBS) holdings purchased with TARP monies. This is not to be confused with the U.S Federal Reserve's \$944 billion MBS portfolio and does not signal a change in monetary policy. It has been suggested the Treasury announcement is more closely related to the ongoing discussion on the debt ceiling than economic policy.

Outlook & Strategy

The potential outcomes and impacts of the European debt crisis, the U.S. debt ceiling discussions, the dynamics of the U.S housing market, the potential inflationary impacts of rising oil prices and the counterbalance of the rising Canadian dollar, etc. almost appear simple to assess in comparison to geopolitical events in North Africa and the Middle East as well as tragic natural disasters. All of these factors and more contribute to an outlook that is both uncertain and volatile. There still appears to be, however, positive economic momentum for modest growth. Against this backdrop, the dominant investment strategy will continue to be locking in rates in the longer term when they appear attractive and covering shorter term cash needs when these rates are not available.

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 above median for the year ending December 31.

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

BUDGET IMPLICATIONS

Staff is currently projecting Operating Fund Investment Income of \$925,000 for the fiscal year versus an original budget of \$512,000. Better than anticipated cash flow trends and a higher than expected rate of return are responsible for this positive variance.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the proposed 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 @ December 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/commcoun/cc.html> then choose the appropriate Community Council and 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

Original Signed

Report Approved by: For Bruce Fisher, CMA, A/ Director of Finance & Chief Financial Officer 490-6308

Sector Weights @ December 31, 2010

SCHEDULE A

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	21,772,890	8%	258,144,749	100%	236,371,859	92%
Federal Government	Open	21,772,890	8%				
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	119,104,629	46%	258,144,749	100%	139,040,120	54%
Total Alberta (R-1 High)	Open	0	3%	64,536,187	25%	56,451,303	22%
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	54,495,827	21%	64,536,187	25%	10,040,360	4%
Manitoba (R-1 Mid)	Open	0	0%	64,536,187	25%	64,536,187	25%
New Brunswick (R-1 Mid)	Open	923,705	0%	64,536,187	25%	63,612,482	25%
Ontario (R-1 Mid)	Open	47,924,484	19%	64,536,187	25%	16,614,703	6%
Quebec (R-1 Mid)	Open	15,763,613	6%	64,536,187	25%	47,772,746	19%
Quebec		15,763,613					
Financement Quebec							
Saskatchewan (R-1 High)	Open	0	0%	64,536,187	25%	64,536,187	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		64,536,187	25%	64,536,187	25%
Calgary (R-1 High)	Open			25,814,475	10%	25,814,475	10%
Edmonton (R-1 High)	Open			25,814,475	10%	25,814,475	10%
Financial Institutions & their Guarantees /Corporations		103,210,159	40%	129,072,374	50%	25,862,215	10%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	71,349,435	28%	129,072,374	50%	57,722,939	22%
Bank of Montreal (R-1 High)	Open	19,958,279	8%	25,814,475	10%	5,856,196	2%
Bank of Nova Scotia (R-1 High)	Open	24,925,960	10%	25,814,475	10%	888,515	0%
Canadian Imperial Bank of Commerce (R-1 High)	Open	5,934,270	2%	25,814,475	10%	19,880,205	8%
Royal Bank (R-1 High)	Open	0	8%	25,814,475	10%	5,283,549	2%
Royal Bank - Effective Cash		20,530,926					
Toronto Dominion (R-1 High)	Open	0	0%	25,814,475	10%	25,814,475	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	31,860,724	12%	64,536,187	25%	32,675,463	13%
National Bank of Canada (R-1 Mid)	Open	11,968,350	5%	12,907,237	5%	938,887	0%
OMERS Realty Corporation (R-1 High)	Open	9,913,974	4%	12,907,237	5%	2,993,263	1%
CDP Financial Inc (R-1 High)	Open	0	0%	12,907,237	5%	12,907,237	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	4,988,850	2%	12,907,237	5%	7,918,387	3%
Desjardins Total		4,989,550	2%	12,907,237	5%	7,917,687	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centrale Desjardins (R-1 High)	Open	4,989,550					
Total Cash and Equivalents		244,087,678	95%				
FIXED (Bonds, etc. over one year)							
Federal Government		4,965,948	2%	51,628,950	20%	46,663,002	18%
Money Market							
Bond Pool		4,965,948					
Provincial Government & their Guarantees		9,084,713	4%	51,628,950	20%	42,544,237	16%
Money Market		8,037,164	4%	51,628,950	20%	42,544,237	16%
Alberta		7,037,335	3%	25,814,475	10%	17,729,591	7%
Alberta							
Alberta Capital Finance Authority		7,037,335					
Alberta Treasury Branches							
British Columbia		0	0%	25,814,475	10%	25,814,475	10%
Manitoba		0	0%	25,814,475	10%	25,814,475	10%
New Brunswick		0	0%	25,814,475	10%	25,814,475	10%
Ontario		0	0%	25,814,475	10%	25,814,475	10%
Quebec		999,829	0%	25,814,475	10%	24,814,646	10%
Quebec							
Financement Quebec		999,829					
Saskatchewan		0	0%	25,814,475	10%	25,814,475	10%
Bond Pool		1,047,549	4%	51,628,950	20%	42,544,237	16%
Alberta		1,047,549	3%	25,814,475	10%	17,729,591	7%
Alberta							
Alberta Capital Finance Authority		1,047,549					
Alberta Treasury Branches							
British Columbia		0	0%	25,814,475	10%	25,814,475	10%
Manitoba		0	0%	25,814,475	10%	25,814,475	10%
New Brunswick		0	0%	25,814,475	10%	25,814,475	10%
Ontario		0	0%	25,814,475	10%	25,814,475	10%
Quebec		0	0%	25,814,475	10%	24,814,646	10%
Quebec							
Financement Quebec							
Saskatchewan		0	0%	25,814,475	10%	25,814,475	10%
Total Fixed		14,050,661	5%	51,628,950	20%	37,578,289	15%
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		258,144,749					
Interest Bearing Bank Accounts - O/S Cheque Coverage		2,212,212					
Total Investments and O/S Cheques Coverage		260,356,961					

SCHEDULE B

Operating Funds
Sector Weights
Sector Weights @ December 31, 2010

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	14,084,794	9%	163,098,531	100%	149,013,737	91%
Federal Government	Open	14,084,794	9%				
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	77,048,298	47%	163,098,531	100%	86,050,233	53%
Total Alberta (R-1 High)	Open	0	0%	40,774,633	25%	40,127,848	25%
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	35,253,128	22%	40,774,633	25%	5,521,505	3%
Manitoba (R-1 Mid)	Open	0	0%	40,774,633	25%	40,774,633	25%
New Brunswick (R-1 Mid)	Open	597,541	0%	40,774,633	25%	40,177,092	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			40,774,633	25%	40,774,633	25%
Ontario (R-1 Mid)	Open	31,000,212	22%	40,774,633	25%	5,221,997	3%
Quebec (R-1 Mid)	Open	10,197,417	6%	40,774,633	25%	30,577,216	19%
Saskatchewan (R-1 High)	Open	0	0%	40,774,633	25%	40,774,633	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		40,774,633	25%	40,774,633	25%
Calgary (R-1 High)	Open			16,309,853	10%	16,309,853	10%
Edmonton (R-1 High)	Open			16,309,853	10%	16,309,853	10%
Financial Institutions & their Guarantees /Corporations		66,766,231	41%	81,549,265	50%	14,783,035	9%
BA's Schedule A							
Canadian Banks R-1							
Tier 1 - Financial Institutions & their Guarantees	Mid	46,155,658	28%	81,549,265	50%	35,393,607	22%
Bank of Montreal (R-1 High)	Open	12,910,929	8%	16,309,853	10%	3,398,924	2%
Bank of Nova Scotia (R-1 High)	Open	16,124,502	10%	16,309,853	10%	185,351	0%
Canadian Imperial Bank of Commerce (R-1 High)	Open	3,838,855	2%	16,309,853	10%	12,470,998	8%
Royal Bank (R-1 High)	Open	0 }	8%	16,309,853	10%	3,028,481	2%
Royal Bank - Effective Cash		13,281,372 }					
Toronto Dominion (R-1 High)	Open	0	0%	16,309,853	10%	16,309,853	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	20,610,572	13%	40,774,633	25%	20,164,060	12%
National Bank of Canada (R-1 Mid)	Open	7,742,277	5%	8,154,927	5%	412,650	0%
OMERS Realty Corporation (R-1 High)	Open	6,413,309	4%	8,154,927	5%	1,741,617	1%
CDP Financial Inc (R-1 High)	Open	0	0%	8,154,927	5%	8,154,927	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	3,227,267	2%	8,154,927	5%	4,927,660	3%
Desjardins Total		3,227,720	2%	8,154,927	5%	4,927,207	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	3,227,720					
Total Investments		157,899,323	97%				
FIXED (Bonds, etc. over one year)							
Federal Government		0	0%	32,619,706	20%	32,619,706	20%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		5,199,208	3%	32,619,706	20%	27,420,498	17%
Money Market		5,199,208	3%	32,619,706	20%	27,420,498	17%
Ontario		4,552,423	3%	16,309,853	10%	11,757,430	7%
British Columbia		0	0%	16,309,853	10%	16,309,853	10%
Alberta		646,785	0%	16,309,853	10%	15,663,068	10%
Saskatchewan		0	0%	16,309,853	10%	16,309,853	10%
Bond Pool		0	3%	32,619,706	20%	27,420,498	17%
Ontario		0	3%	16,309,853	10%	11,757,430	7%
British Columbia		0	0%	16,309,853	10%	16,309,853	10%
Alberta		0	0%	16,309,853	10%	15,663,068	10%
Saskatchewan		0	0%	16,309,853	10%	16,309,853	10%
Total Fixed		5,199,208	3%	32,619,706	20%	27,420,498	17%
Total Investments		163,098,531					
Interest Bearing Bank Accounts - O/S Cheque Coverage		2,212,212					
Total Investments and O/S Cheques Coverage		165,310,743					

SCHEDULE C

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

	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 Mid)	Open	0	0%	0	25%	0	0%
Quebec (R-1 Mid)	Open	0	0%	0	25%	0	0%
Saskatchewan (R-1 High)	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
Sector Weights @ December 31, 2010

	Catagory Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	7,398,573	8%	91,687,192	100%	84,288,620	92%
Federal Government	Open	7,398,573	8%				
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	40,472,544	44%	91,687,192	100%	51,214,649	56%
Total Alberta (R-1 High)	Open	0	2%	22,921,798	25%	21,534,501	23%
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	18,518,044	20%	22,921,798	25%	4,403,754	5%
Manitoba (R-1 Mid)	Open	0	0%	22,921,798	25%	22,921,798	25%
New Brunswick (R-1 Mid)	Open	313,881	0%	22,921,798	25%	22,607,917	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			22,921,798	25%	22,921,798	25%
Ontario (R-1 Mid)	Open	16,284,038	22%	22,921,798	25%	3,198,877	3%
Quebec (R-1 Mid)	Open	5,356,580	6%	22,921,798	25%	17,565,218	19%
Saskatchewan (R-1 High)	Open	0	0%	22,921,798	25%	22,921,798	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		22,921,798	25%	22,921,798	25%
Calgary (R-1 High)	Open			9,168,719	10%	9,168,719	10%
Edmonton (R-1 High)	Open			9,168,719	10%	9,168,719	10%
Financial Institutions & their Guarantees /Corporations		35,071,497	38%	45,843,596	50%	10,772,099	12%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	Canadian Banks R-1 Mid	24,245,012	26%	45,843,596	50%	21,598,584	24%
Bank of Montreal (R-1 High)	Open	6,781,956	7%	9,168,719	10%	2,386,764	3%
Bank of Nova Scotia (R-1 High)	Open	8,470,007	9%	9,168,719	10%	698,713	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	2,016,504	2%	9,168,719	10%	7,152,215	8%
Royal Bank (R-1 High)	Open	0 }	8%	9,168,719	10%	2,192,174	2%
Royal Bank - Effective Cash		6,976,545 }					
Toronto Dominion (R-1 High)	Open	0	0%	9,168,719	10%	9,168,719	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	10,826,486	12%	22,921,798	25%	12,095,313	13%
National Bank of Canada (R-1 Mid)	Open	4,066,925	4%	4,584,360	5%	517,435	1%
OMERS Realty Corporation (R-1 High)	Open	3,368,834	4%	4,584,360	5%	1,215,525	1%
CDP Financial Inc (R-1 High)	Open	0	0%	4,584,360	5%	4,584,360	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	1,695,244	2%	4,584,360	5%	2,889,115	3%
Desjardins Total		1,695,482	2%	4,584,360	5%	2,888,877	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	1,695,482					
Total Cash and Equivalents		<u>82,942,614</u>	<u>90%</u>				
FIXED (Bonds, etc. over one year)							
Federal Government		4,965,948	6%	91,687,192	100%	86,721,244	95%
Money Market		0					
Bond Pool		4,965,948					
Provincial Government & their Guarantees		3,778,631	4%	45,843,596	50%	42,064,966	46%
Money Market		2,731,082	8%	45,843,596	50%	42,064,966	46%
Ontario		2,391,333	4%	9,168,719	10%	5,729,837	6%
British Columbia		0	0%	9,168,719	10%	9,168,719	10%
Alberta		339,748	2%	9,168,719	10%	7,781,422	8%
Saskatchewan		0	0%	9,168,719	10%	9,168,719	10%
Bond Pool		1,047,549	4%	45,843,596	50%	42,064,966	46%
Ontario		1,047,549	4%	9,168,719	10%	5,729,837	6%
British Columbia		0	0%	9,168,719	10%	9,168,719	10%
Alberta		1,047,549	2%	9,168,719	10%	7,781,422	8%
Saskatchewan		0	0%	9,168,719	10%	9,168,719	10%
Total Fixed		<u>8,744,579</u>	<u>10%</u>	<u>91,687,192</u>	<u>100%</u>	<u>82,942,614</u>	<u>90%</u>
Total Investments		<u>91,687,192</u>					

SCHEDULE E

Trust Funds
Sector Weights
Sector Weights @ December 31, 2010

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	289,524	9%	3,359,025	100%	3,069,502	91%
Federal Government	Open	289,524	9%				
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	1,583,787	47%	3,359,025	100%	1,775,239	53%
Total Alberta (R-1 High)	Open	0	0%	839,756	25%	826,461	25%
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	724,655	22%	839,756	25%	115,101	3%
Manitoba (R-1 Mid)	Open	0	0%	839,756	25%	839,756	25%
New Brunswick (R-1 Mid)	Open	12,283	0%	839,756	25%	827,473	25%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			839,756	25%	839,756	25%
Ontario (R-1 Mid)	Open	637,233	22%	839,756	25%	108,945	3%
Quebec (R-1 Mid)	Open	209,616	6%	839,756	25%	630,141	19%
Saskatchewan (R-1 High)	Open	0	0%	839,756	25%	839,756	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		839,756	25%	839,756	25%
Calgary (R-1 High)	Open			335,903	10%	335,903	10%
Edmonton (R-1 High)	Open			335,903	10%	335,903	10%
Financial Institutions & their Guarantees /Corporations		1,372,431	41%	1,679,513	50%	307,082	9%
	BA's Schedule A						
	Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	948,765	28%	1,679,513	50%	730,748	22%
Bank of Montreal (R-1 High)	Open	265,394	8%	335,903	10%	70,508	2%
Bank of Nova Scotia (R-1 High)	Open	331,451	10%	335,903	10%	4,451	0%
Canadian Imperial Bank of Commerce (R-1 High)	Open	78,911	2%	335,903	10%	256,992	8%
Royal Bank (R-1 High)	Open	0 }	8%	335,903	10%	62,894	2%
Royal Bank - Effective Cash		273,009 }					
Toronto Dominion (R-1 High)	Open	0	0%	335,903	10%	335,903	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	423,666	13%	839,756	25%	416,090	12%
National Bank of Canada (R-1 Mid)	Open	159,148	5%	167,951	5%	8,803	0%
OMERS Realty Corporation (R-1 High)	Open	131,830	4%	167,951	5%	36,121	1%
CDP Financial Inc (R-1 High)	Open	0	0%	167,951	5%	167,951	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	66,339	2%	167,951	5%	101,612	3%
Desjardins Total		66,348	2%	167,951	5%	101,603	3%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	66,348					
Total Cash and Equivalents		<u>3,245,742</u>	<u>97%</u>				
FIXED (Bonds, etc. over one year)							
Federal Government		0	0%	3,359,025	100%	3,359,025	100%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		106,874	3%	3,359,025	100%	3,252,152	97%
Money Market		106,874	100%	3,359,025	100%	3,252,152	97%
Ontario		93,579	3%	335,903	10%	242,324	7%
British Columbia		0	0%	335,903	10%	335,903	10%
Alberta		13,295	0%	335,903	10%	322,607	10%
Saskatchewan		0	0%	335,903	10%	335,903	10%
Bond Pool		0	3%	3,359,025	100%	3,252,152	97%
Ontario		0	3%	335,903	10%	242,324	7%
British Columbia		0	0%	335,903	10%	335,903	10%
Alberta		0	0%	335,903	10%	322,607	10%
Saskatchewan		0	0%	335,903	10%	335,903	10%
Total Fixed		<u>106,874</u>					
Equities							
Bank of Montreal		6,410					
Total Equities		<u>6,410</u>					
Total Investments		<u>3,359,025</u>					

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Oct 7.9% Nov 7.6%, Dec 7.6%	Oct 9.6% Nov 9.8%, Dec 9.4%
Jobs Created / (Lost) ('000's)	Oct 3, Nov 15, Dec 22	Oct 151 Nov 31, Dec 103
CPI (year over year)	Oct 2.4% Nov 2.0%, Dec 2.4%	Oct 1.2% Nov 1.1%, Dec 1.5%
CPI-X (Core) (year over year)	Oct 1.8% Nov 1.4%, Dec 1.5%	Oct .6% Nov .8%, Dec .8%
Q4 GDP	3.2%	3.2%A

Central Bank Activities

- October 19 Bank of Canada Maintains overnight rate at 1.0%
- November 3 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- December 7 Bank of Canada Maintains overnight rate at 1.0%
- December 14 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%

Appendix B

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

Appendix C

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.