



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

**Item No. 3**  
**Halifax Regional Council**  
**July 5, 2011**

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

Original Signed

**SUBMITTED BY:**

\_\_\_\_\_  
Councillor Gloria McCluskey, Chair, Audit and Finance Standing  
Committee

**DATE:** June 16, 2011

**SUBJECT:** Investment Activities – Quarter Ending March 31, 2011

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### **INFORMATION REPORT**

#### **ORIGIN**

The Audit and Finance Standing Committee meeting of June 15, 2011.

#### **BACKGROUND**

The Audit and Finance Standing Committee accepted the Investment Activities report for Quarter Ending March 31, 2011 as submitted by the Acting Director of Finance and recommended the information report be forwarded to Regional Council.

**DISCUSSION**

See attached Investment Activities report dated May 24, 2011.

**BUDGET IMPLICATIONS**

See attached Investment Activities report dated May 24, 2011.

**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 attached Investment Activities report dated May 24, 2011.

**ATTACHMENTS**

1. May 24, 2011 Investment Activities Quarter Ending March 31, 2011 information report.

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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, 49-6732

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**Audit and Finance Committee**  
**June 15, 2011**

**TO:** Chair and Members of the Audit and Finance Committee

Original signed

**SUBMITTED BY:**

\_\_\_\_\_  
Bruce Fisher, MPA, CMA, Acting Director of Finance/CFO

**DATE:** May 24, 2011

**SUBJECT:** Investment Activities - Quarter Ending March 31, 2011

### 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, 2011 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 Audit and Finance Committee for the June 15 meeting.

**DISCUSSION**

**HRM Investment Activities**

HRM Short Term (Money Market Pool) Investment Performance

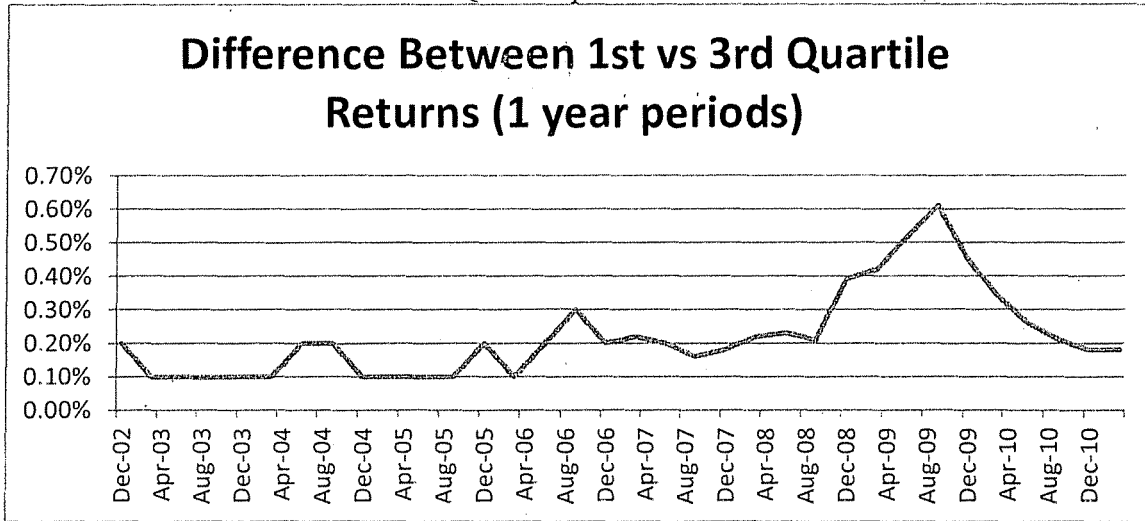
HRM Money Market investment performance is summarized below in comparison with the Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds for periods ending March 31, 2011:

Money Market Funds	3 Months (to March 31, 2011)	1 Year (to March 31, 2011)
5 <sup>th</sup> Percentile	.41%	1.18%
1 <sup>st</sup> Quartile	.32%	.97%
Mercer Median	.29%	.87%
3 <sup>rd</sup> Quartile	.27%	.79%
95 <sup>th</sup> Percentile	.21%	.60%
Dec 91 Day T-Bills	.28%	.77%
<b>HRM</b>	<b>.30%</b>	<b>.93%</b>

Relative performance has declined somewhat from 1<sup>st</sup> quartile levels experienced recently into the 2<sup>nd</sup> quartile. However, performance continues to be well above the Policy benchmark of median less an allowance for management fees. The conservative asset mix and very high quality of investments has been maintained. The minimum credit rating for Government Sector investments is R-1 Middle while the minimum rating in the Non-Government Sector is R-1 High with the exception of one Financial Institution rated R-1 Middle.

As shown below the dispersion of returns has again narrowed after becoming inflated during the financial crisis as some investment managers sought higher yields while others sought safety with less regard for yield. This makes it easier to move from one quartile to another and may

have been a factor in the recent 1<sup>st</sup> Quartile performance.

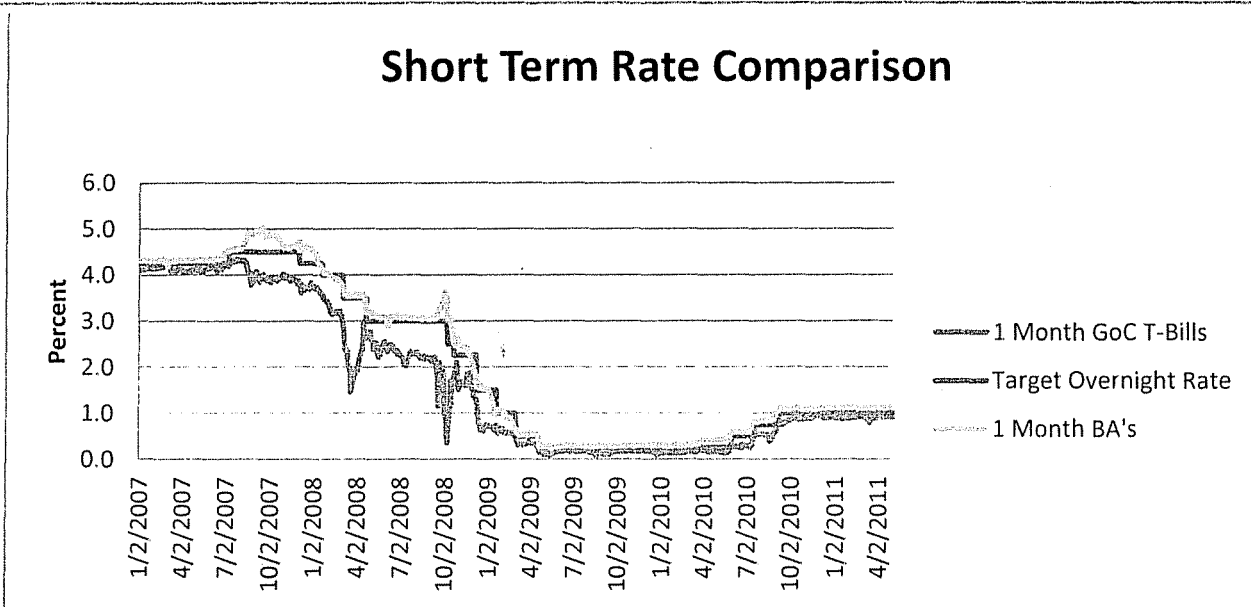


The Quarter saw only 6 money market investments made at a cost of \$14,000,000 with an average term to maturity of 143 days. This compares to last year's 4th Quarter of 30 investments made at a cost of \$107,058,000 with an average term of 102 days. This dramatic drop in investment activity was largely a result of taking advantage of attractive rates in the 6 month term in the previous Quarter which reduced funds available for reinvestment. For a period of time the market priced in a high probability of Bank of Canada rate increases as early as March 1, 2011 which we believed to be unjustified. This turned out to be the case so in this instance the interest rate risk taken was rewarded.

Another factor in the reduced level of activity was the use of the bank account as an investment vehicle. This continues to provide an attractive yield relative to other short term alternatives and was kept near maximum allowable levels for much of the Quarter. There were two sales for modest gains with the primary motivation to top up the bank account.

Subject to yearend adjustments, Operating Fund Investment Income for the 2010/11 fiscal year was \$925,700 versus a budget of \$512,000. The actual rate of return was .93% versus a budgeted rate of .80%. Both the income and rate of return actual figures were in line with previous projections.

As shown below, interest rates in Canada have begun the long unsteady journey towards normalcy.



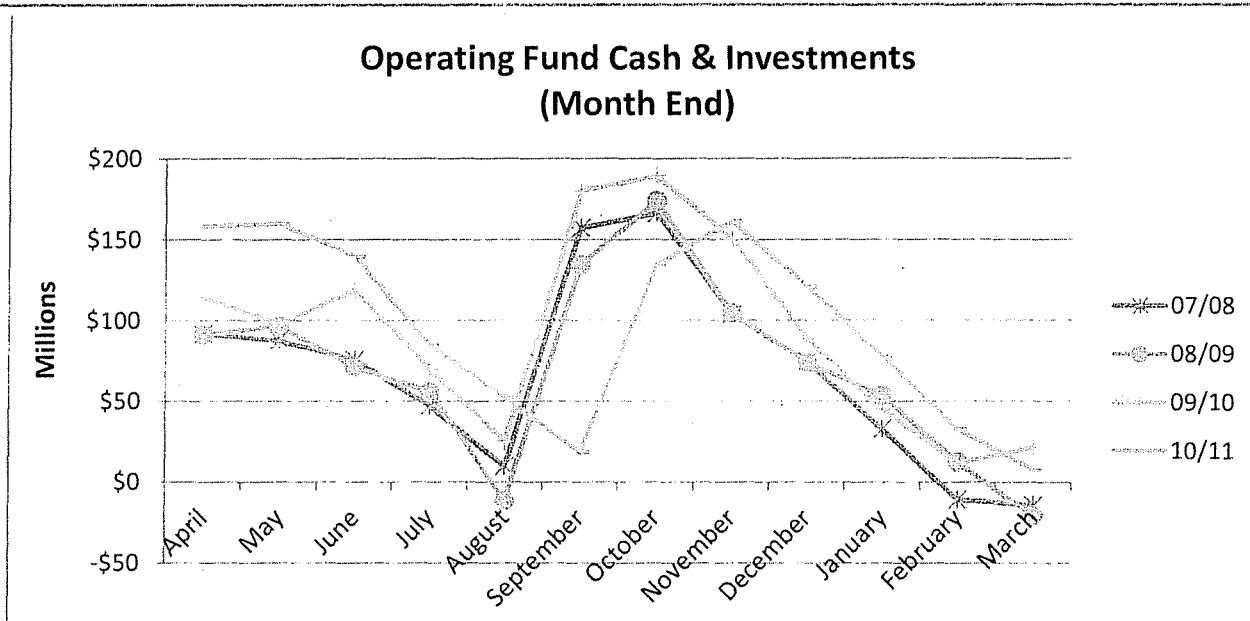
HRM Short Term Bond Pool

The Short Term Bond Pool holds bonds to a maximum term to maturity of approximately five years. The \$6,000,000 of bonds currently held have 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

As alluded to in the discussion of Investment Activities, staff took more liquidity risk than usual late in the last Quarter and early in the reporting Quarter to take advantage of attractive yields in the 6 month term. The redevelopment of the cash flow model this year will support this type of decision-making in the future. The average level for the bank account for the Quarter was 86.3%.

The trend for most of the fiscal year of Operating Fund cash and investment balances exceeding previous years' levels returned after the distortion of the change in the property tax due date.



Subsequent to End of Reporting Quarter

Citing the rising Canadian dollar, the Bank of Canada was more dovish than many anticipated in its April 12 rate setting statement. A desire to appear neutral during the election campaign may have also been a factor. Should it persist, early May weakness in the price of oil and consequently the Canadian dollar may give the Bank an opportunity to move rates higher toward more neutral levels sooner rather than later.

Both Canada and the U.S. saw better than expected job growth for April. Canada added 58,000 jobs versus a consensus of 20,000 while the U.S. payrolls increased by 244,000 versus consensus of 185,000.

Outlook & Strategy

The base case for the vast majority of forecasters continues to be for modest economic growth in most developed economies. Higher inflation fanned by high commodity and food prices as well as excess money supply or a faltering economic recovery from government cutbacks and the continuing U.S. housing debacle represent possible alternative scenarios. An escalation of government debt worries in Europe or the U.S. and black swan type events like the earthquake, tsunami and nuclear disasters in Japan represent further risks. While equity markets have shown resilience based on profit growth, interest rate markets have been more cautious. Central Bank interventions however may be distorting the true state of these markets.

Against this backdrop staff has kept maturities relatively short emphasizing covering cash requirements and positioning funds near future Bank of Canada rate decision dates to better capitalize on any suggestions that the Bank may raise rates. The motivation is twofold. We do not feel that we are being adequately paid for the risk of future interest rate increases and rates

available for the 6 month to 1 year terms are substantially below the budget target. Locking in funds at rates below budget will make achievement of the investment income budget all the more difficult even should interest rates rise in the future. It should be noted that this strategy may hurt relative performance in the short run.

### **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 March 31.

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

### **BUDGET IMPLICATIONS**

Subject to yearend adjustments, Operating Fund Investment Income for the 2010/11 fiscal year was \$925,700 versus a budget of \$512,000. This positive variance was due to both better than anticipated cash flow trends and a higher than budgeted rate of return.

### **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, 2011 (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

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**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

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## Sector Weights @ March 31, 2011

## SCHEDULE A

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
Federal Government & Its Guarantees	Open	13,842,010	12%	114,889,605	100%	101,047,595	88%
Federal Government	Open	13,842,010	12%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	84,895,912	74%	114,889,605	100%	29,993,693	26%
Total Alberta (R-1 High)	Open	0	7%	28,722,401	25%	20,644,287	18%
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	35,603,207	31%	28,722,401	25%	-6,860,806	-6%
Manitoba (R-1 Mid)	Open	0	0%	28,722,401	25%	28,722,401	25%
New Brunswick (R-1 Mid)	Open	2,912,665	3%	28,722,401	25%	25,809,716	22%
Ontario (R-1 Mid)	Open	38,663,928	34%	28,722,401	25%	-9,941,527	-9%
Quebec (R-1 Mid)	Open	7,716,092	8%	28,722,401	25%	20,006,662	17%
Quebec		7,716,092					
Financement Quebec							
Saskatchewan (R-1 High)	Open	0	0%	28,722,401	25%	28,722,401	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		28,722,401	25%	28,722,401	25%
Calgary (R-1 High)	Open			11,488,961	10%	11,488,961	10%
Edmonton (R-1 High)	Open			11,488,961	10%	11,488,961	10%
Financial Institutions & their Guarantees /Corporations		2,098,665	2%	67,444,803	50%	55,346,137	48%
BA's Schedule A Canadian Banks R-1							
Tier 1 - Financial Institutions & their Guarantees	Mid	2,098,665	2%	67,444,803	50%	55,346,137	48%
Bank of Montreal (R-1 High)	Open	0	0%	11,488,961	10%	11,488,961	10%
Bank of Nova Scotia (R-1 High)	Open	0	0%	11,488,961	10%	11,488,961	10%
Canadian Imperial Bank of Commerce (R-1 High)	Open	0	0%	11,488,961	10%	11,488,961	10%
Royal Bank (R-1 High)	Open	0	2%	11,488,961	10%	9,390,295	8%
Royal Bank - Effective Cash		2,098,665					
Toronto Dominion (R-1 High)	Open	0	0%	11,488,961	10%	11,488,961	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	0	0%	28,722,401	25%	28,722,401	25%
National Bank of Canada (R-1 Mid)	Open	0	0%	5,744,480	5%	5,744,480	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	5,744,480	5%	5,744,480	5%
CDP Financial Inc (R-1 High)	Open	0	0%	5,744,480	5%	5,744,480	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	5,744,480	5%	5,744,480	5%
Desjardins Total		0	0%	5,744,480	5%	5,744,480	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centrale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>100,836,587</b>	<b>88%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		4,968,847	4%	22,977,921	20%	18,009,074	15%
Money Market							
Bond Pool		4,968,847					
Provincial Government & their Guarantees		9,077,761	8%	22,977,921	20%	13,900,160	12%
Money Market		8,030,212	8%	22,977,921	20%	13,900,160	12%
Alberta		7,030,565	7%	11,488,961	10%	3,410,847	3%
Alberta							
Alberta Capital Finance Authority		7,030,565					
Alberta Treasury Branches							
British Columbia		0	0%	11,488,961	10%	11,488,961	10%
Manitoba		0	0%	11,488,961	10%	11,488,961	10%
New Brunswick		0	0%	11,488,961	10%	11,488,961	10%
Ontario		0	0%	11,488,961	10%	11,488,961	10%
Quebec		999,647	1%	11,488,961	10%	10,489,314	9%
Quebec							
Financement Quebec		999,647					
Saskatchewan		0	0%	11,488,961	10%	11,488,961	10%
Bond Pool		1,047,549	8%	22,977,921	20%	13,900,160	12%
Alberta		1,047,549	7%	11,488,961	10%	3,410,847	3%
Alberta							
Alberta Capital Finance Authority		1,047,549					
Alberta Treasury Branches							
British Columbia		0	0%	11,488,961	10%	11,488,961	10%
Manitoba		0	0%	11,488,961	10%	11,488,961	10%
New Brunswick		0	0%	11,488,961	10%	11,488,961	10%
Ontario		0	0%	11,488,961	10%	11,488,961	10%
Quebec		0	1%	11,488,961	10%	10,489,314	9%
Quebec							
Financement Quebec							
Saskatchewan		0	0%	11,488,961	10%	11,488,961	10%
<b>Total Fixed</b>		<b>14,046,608</b>	<b>12%</b>	<b>22,977,921</b>	<b>20%</b>	<b>8,931,313</b>	<b>8%</b>
Equities							
Bank of Montreal		6,410					
Total Equities		6,410					
Total Investments		114,889,605					
Interest Bearing Bank Accounts - O/S Cheque Coverage		18,552,979					
<b>Total Investments and O/S Cheques Coverage</b>		<b>133,442,584</b>					

## SCHEDULE B

Operating Funds  
Sector Weights  
Sector Weights @ March 31, 2011

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
Federal Government & its Guarantees	Open	4,034,072	13%	31,727,799	100%	27,693,727	87%
Federal Government	Open	4,034,072	13%				
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>24,741,799</b>	<b>78%</b>	<b>31,727,799</b>	<b>100%</b>	<b>6,986,000</b>	<b>22%</b>
Total Alberta (R-1 High)	Open	0	1%	7,931,950	25%	7,640,616	24%
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	10,376,087	33%	7,931,950	25%	-2,444,137	-8%
Manitoba (R-1 Mid)	Open	0	0%	7,931,950	25%	7,931,950	25%
New Brunswick (R-1 Mid)	Open	848,864	3%	7,931,950	25%	7,083,086	22%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		7,931,950	25%	7,931,950	25%
Ontario (R-1 Mid)	Open	11,268,094	42%	7,931,950	25%	-5,385,110	-17%
Quebec (R-1 Mid)	Open	2,248,754	7%	7,931,950	25%	5,683,195	18%
Saskatchewan (R-1 High)	Open	0	0%	7,931,950	25%	7,931,950	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>7,931,950</b>	<b>25%</b>	<b>7,931,950</b>	<b>25%</b>
Calgary (R-1 High)	Open	0		3,172,780	10%	3,172,780	10%
Edmonton (R-1 High)	Open	0		3,172,780	10%	3,172,780	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>611,628</b>	<b>2%</b>	<b>15,863,899</b>	<b>50%</b>	<b>15,252,271</b>	<b>48%</b>
	BA's Schedule A						
	Canadian Banks R-1						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>611,628</b>	<b>2%</b>	<b>15,863,899</b>	<b>50%</b>	<b>15,252,271</b>	<b>48%</b>
Bank of Montreal (R-1 High)	Open	0	0%	3,172,780	10%	3,172,780	10%
Bank of Nova Scotia (R-1 High)	Open	0	0%	3,172,780	10%	3,172,780	10%
Canadian Imperial Bank of Commerce (R-1 High)	Open	0	0%	3,172,780	10%	3,172,780	10%
Royal Bank (R-1 High)	Open	0	2%	3,172,780	10%	2,561,151	8%
Royal Bank - Effective Cash		611,628					
Toronto Dominion (R-1 High)	Open	0	0%	3,172,780	10%	3,172,780	10%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High**</b>	<b>0</b>	<b>0%</b>	<b>7,931,950</b>	<b>25%</b>	<b>7,931,950</b>	<b>25%</b>
National Bank of Canada (R-1 Mid)	Open	0	0%	1,586,390	5%	1,586,390	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	1,586,390	5%	1,586,390	5%
CDP Financial Inc (R-1 High)	Open	0	0%	1,586,390	5%	1,586,390	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	1,586,390	5%	1,586,390	5%
Desjardins Total		0	0%	1,586,390	5%	1,586,390	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centrale Desjardins (R-1 High)	Open	0					
<b>Total Investments</b>		<b>29,387,499</b>	<b>93%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		0	0%	6,345,560	20%	6,345,560	20%
Money Market		0					
Bond Pool		0					
<b>Provincial Government &amp; their Guarantees</b>		<b>2,340,300</b>	<b>7%</b>	<b>6,345,560</b>	<b>20%</b>	<b>4,005,260</b>	<b>13%</b>
<b>Money Market</b>		<b>2,340,300</b>	<b>7%</b>	<b>6,345,560</b>	<b>20%</b>	<b>4,005,260</b>	<b>13%</b>
Ontario		2,048,966	6%	3,172,780	10%	1,123,814	4%
British Columbia		0	0%	3,172,780	10%	3,172,780	10%
Alberta		291,334	1%	3,172,780	10%	2,881,446	9%
Saskatchewan		0	0%	3,172,780	10%	3,172,780	10%
<b>Bond Pool</b>		<b>0</b>	<b>7%</b>	<b>6,345,560</b>	<b>20%</b>	<b>4,005,260</b>	<b>13%</b>
Ontario		0	6%	3,172,780	10%	1,123,814	4%
British Columbia		0	0%	3,172,780	10%	3,172,780	10%
Alberta		0	1%	3,172,780	10%	2,881,446	9%
Saskatchewan		0	0%	3,172,780	10%	3,172,780	10%
<b>Total Fixed</b>		<b>2,340,300</b>	<b>7%</b>	<b>6,345,560</b>	<b>20%</b>	<b>4,005,260</b>	<b>13%</b>
<b>Total Investments</b>		<b>31,727,799</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		18,552,979					
<b>Total Investments and O/S Cheques Coverage</b>		<b>50,280,778</b>					

## SCHEDULE C

Capital Funds  
Sector Weights  
Sector Weights @ March 31, 2011

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
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	0%	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	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					
<b>Total Cash and Equivalents</b>		<b>0</b>	<b>0%</b>				

## SCHEDULE D

Reserve Funds  
Sector Weights  
Sector Weights @ March 31, 2011

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
Federal Government & its Guarantees	Open	9,381,798	12%	79,803,821	100%	70,422,023	88%
Federal Government	Open	9,381,798	12%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	57,540,506	72%	79,803,821	100%	22,263,315	28%
Total Alberta (R-1 High)	Open	0	2%	19,950,955	25%	18,225,868	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	24,131,039	30%	19,950,955	25%	-4,180,084	-5%
Manitoba (R-1 Mid)	Open	0	0%	19,950,955	25%	19,950,955	25%
New Brunswick (R-1 Mid)	Open	1,974,151	2%	19,950,955	25%	17,976,804	23%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		19,950,955	25%	19,950,955	25%
Ontario (R-1 Mid)	Open	26,205,525	40%	19,950,955	25%	-12,067,275	-15%
Quebec (R-1 Mid)	Open	5,229,791	7%	19,950,955	25%	14,721,165	18%
Saskatchewan (R-1 High)	Open	0	0%	19,950,955	25%	19,950,955	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		19,950,955	25%	19,950,955	25%
Calgary (R-1 High)	Open	0		7,980,382	10%	7,980,382	10%
Edmonton (R-1 High)	Open	0		7,980,382	10%	7,980,382	10%
Financial Institutions & their Guarantees /Corporations		1,422,427	2%	39,901,910	50%	38,479,483	48%
	BA's Schedule A						
Tier 1 - Financial Institutions & their Guarantees	Canadian Banks R-1 Mid	1,422,427	2%	39,901,910	50%	38,479,483	48%
Bank of Montreal (R-1 High)	Open	0	0%	7,980,382	10%	7,980,382	10%
Bank of Nova Scotia (R-1 High)	Open	0	0%	7,980,382	10%	7,980,382	10%
Canadian Imperial Bank of Commerce (R-1 High)	Open	0	0%	7,980,382	10%	7,980,382	10%
Royal Bank (R-1 High)	Open	0	2%	7,980,382	10%	6,557,955	8%
Royal Bank - Effective Cash		1,422,427					
Toronto Dominion (R-1 High)	Open	0	0%	7,980,382	10%	7,980,382	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	0	0%	19,950,955	25%	19,950,955	25%
National Bank of Canada (R-1 Mid)	Open	0	0%	3,990,191	5%	3,990,191	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	3,990,191	5%	3,990,191	5%
CDP Financial Inc (R-1 High)	Open	0	0%	3,990,191	5%	3,990,191	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	3,990,191	5%	3,990,191	5%
Desjardins Total		0	0%	3,990,191	5%	3,990,191	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>68,344,731</b>	<b>86%</b>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		4,968,847	7%	79,803,821	100%	74,834,974	94%
Money Market		0					
Bond Pool		4,968,847					
Provincial Government & their Guarantees		6,490,243	8%	39,901,910	50%	33,411,667	42%
Money Market		5,442,694	13%	39,901,910	50%	33,411,667	42%
Ontario		4,765,156	7%	7,980,382	10%	2,167,677	3%
British Columbia		0	0%	7,980,382	10%	7,980,382	10%
Alberta		677,538	2%	7,980,382	10%	6,255,295	8%
Saskatchewan		0	0%	7,980,382	10%	7,980,382	10%
Bond Pool		1,047,549	8%	39,901,910	50%	33,411,667	42%
Ontario		1,047,549	7%	7,980,382	10%	2,167,677	3%
British Columbia		0	0%	7,980,382	10%	7,980,382	10%
Alberta		1,047,549	2%	7,980,382	10%	6,255,295	8%
Saskatchewan		0	0%	7,980,382	10%	7,980,382	10%
<b>Total Fixed</b>		<b>11,459,090</b>	<b>14%</b>	<b>79,803,821</b>	<b>100%</b>	<b>68,344,731</b>	<b>86%</b>
<b>Total Investments</b>		<b>79,803,821</b>					

## SCHEDULE E

Trust Funds  
Sector Weights  
Sector Weights @ March 31, 2011

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
Federal Government & its Guarantees	Open	426,140	13%	3,357,986	100%	2,931,845	87%
Federal Government	Open	426,140	13%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open	0	0%				
Farm Credit Corp	Open	0	0%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	2,613,607	78%	3,357,986	100%	744,378	22%
Total Alberta (R-1 High)	Open	0	1%	839,496	25%	808,721	24%
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	1,096,081	33%	839,496	25%	-256,585	-8%
Manitoba (R-1 Mid)	Open	0	0%	839,496	25%	839,496	25%
New Brunswick (R-1 Mid)	Open	89,670	3%	839,496	25%	749,826	22%
New Brunswick Municipal Finance Corp (R-1 Mid)	Open	0		839,496	25%	839,496	25%
Ontario (R-1 Mid)	Open	1,190,309	42%	839,496	25%	-567,255	-17%
Quebec (R-1 Mid)	Open	237,548	7%	839,496	25%	601,949	18%
Saskatchewan (R-1 High)	Open	0	0%	839,496	25%	839,496	25%
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0		839,496	25%	839,496	25%
Calgary (R-1 High)	Open	0		335,799	10%	335,799	10%
Edmonton (R-1 High)	Open	0		335,799	10%	335,799	10%
Financial Institutions & their Guarantees /Corporations		64,610	2%	1,678,993	50%	1,614,383	48%
	BA's Schedule A Canadian Banks R-1						
Tier 1 - Financial Institutions & their Guarantees	Mid	64,610	2%	1,678,993	50%	1,614,383	48%
Bank of Montreal (R-1 High)	Open	0	0%	335,799	10%	335,799	10%
Bank of Nova Scotia (R-1 High)	Open	0	0%	335,799	10%	335,799	10%
Canadian Imperial Bank of Commerce (R-1 High)	Open	0	0%	335,799	10%	335,799	10%
Royal Bank (R-1 High)	Open	0	2%	335,799	10%	271,189	8%
Royal Bank - Effective Cash		64,610					
Toronto Dominion (R-1 High)	Open	0	0%	335,799	10%	335,799	10%
Tier 2 - Financial Institutions & Corporations	R-1 Mid/High***	0	0%	839,496	25%	839,496	25%
National Bank of Canada (R-1 Mid)	Open	0	0%	167,899	5%	167,899	5%
OMERS Realty Corporation (R-1 High)	Open	0	0%	167,899	5%	167,899	5%
CDP Financial Inc (R-1 High)	Open	0	0%	167,899	5%	167,899	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	167,899	5%	167,899	5%
Desjardins Total		0	0%	167,899	5%	167,899	5%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>3,104,357</b>	<b>92%</b>				
<b>FIXED (Bonds, etc over one year)</b>							
Federal Government		0	0%	3,357,986	100%	3,357,986	100%
Money Market		0					
Bond Pool		0					
Provincial Government & their Guarantees		247,218	7%	3,357,986	100%	3,110,767	93%
Money Market		247,218	100%	3,357,986	100%	3,110,767	93%
Ontario		216,443	6%	335,799	10%	119,355	4%
British Columbia		0	0%	335,799	10%	335,799	10%
Alberta		30,775	1%	335,799	10%	305,023	9%
Saskatchewan		0	0%	335,799	10%	335,799	10%
Bond Pool		0	7%	3,357,986	100%	3,110,767	93%
Ontario		0	6%	335,799	10%	119,355	4%
British Columbia		0	0%	335,799	10%	335,799	10%
Alberta		0	1%	335,799	10%	305,023	9%
Saskatchewan		0	0%	335,799	10%	335,799	10%
<b>Total Fixed</b>		<b>247,218</b>					
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>3,357,986</b>					

Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Jan 7.8% Feb 7.8%, Mar 7.7%	Jan 9.0% Feb 8.9%, Mar 8.8%
Jobs Created / (Lost) ('000's)	Jan 69, Feb 15, Mar -1	Jan 36 Feb 192, Mar 216
CPI (year over year)	Jan 2.3% Feb 2.2%, Mar 3.3%	Jan 1.6% Feb 2.1%, Mar 2.7%
CPI-X (Core) (year over year)	Jan 1.4% Feb .9%, Mar 1.7%	Jan 1.0% Feb 1.1%, Mar 1.2%
Q1 GDP	N/A	1.8%A

Central Bank Activities

- January 18 Bank of Canada Maintains overnight rate at 1.0%
- January 26 U.S. Federal Open Market Committee maintains Target Range of 0% to .25%
- March 1 Bank of Canada Maintains overnight rate at 1.0%
- March 15 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.