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Halifax Regional Council
October 24, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

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

Derek Tynski
Derek Tynski, CMA, Deputy Treasurer

DATE: October 17, 2006

SUBJECT: Investment Activities - Quarter Ending June 30, 2006

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, 2006 has been reviewed by the Committee.

DISCUSSION

HRM Investment Performance & Activities

HRM Short Term (Money Market Pool)

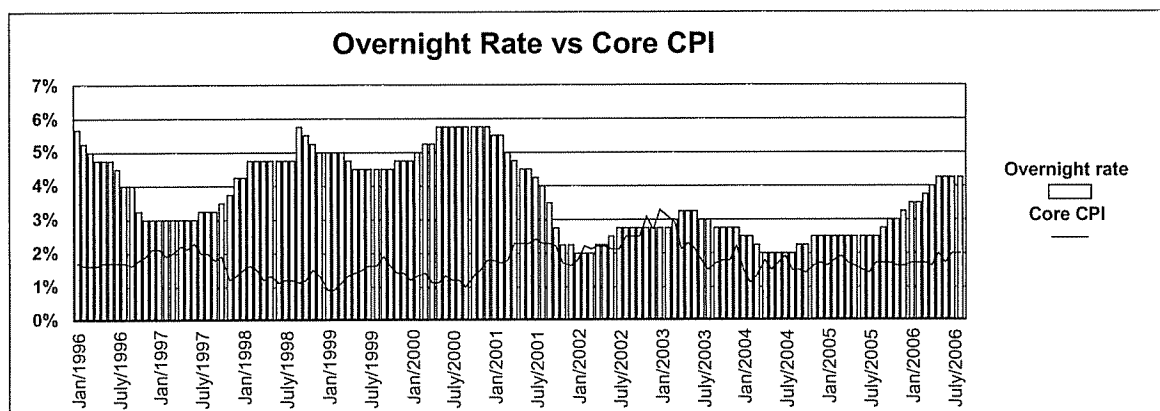
HRM Money Market investment performance is summarized below in comparison with the Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds for periods ending June 30, 2006:

Money Market Funds	3 Months (to June 30, 2006)	6 Months (to June 30, 2006)	1 Year (to June 30, 2006)
5 th Percentile	1.0%	1.9%	3.4%
1 st Quartile	1.0%	1.9%	3.3%
Mercer Median	1.0%	1.8%	3.2%
3 rd Quartile	0.9%	1.8%	3.1%
95 th Percentile	0.9%	1.7%	2.9%
SC 91 Day T-Bills	0.9%	1.8%	3.2%
HRM	.9%	1.7%	3.2%

Relative performance for the Quarter and the 6 months ending June 30 was below median while the 1 year performance was at the median level. All of these performance figures are before making any allowance for fees that would have been paid to an external management firm. Also in keeping with the objectives of the Investment Policy, the HRM portfolio is very high quality.

Staff have analyzed the potential sources of this short term relative under performance to determine if lessons can be learned and strategies adjusted to improve performance in the future. Staff believe the relative under performance is a result of two principal factors one being structural and the other being strategic. Structurally the HRM Money Market Portfolio is quite conservative with a minimum weighting in Government issues of 75%. Staff are aware of other Money Market Pooled Funds available in the marketplace that have a minimum Government Sector weighting of 40%. Staff believe that part of this disadvantage of having a lower weighting in the more lucrative Non-Government sector can be offset by ensuring the Liquidity Objective is met so that investments do not need to be sold under adverse market conditions to meet cash requirements. However, it is difficult to quantify this impact.

The strategic factor in the relative under performance is primarily due to locking in yield for periods of up to one year in a rising interest rate environment. As shown in the graph below the persistence of the Bank of Canada in raising rates was somewhat unusual in the recent historical context and given the levels of inflation the Canadian economy was experiencing.



Individual decisions on making investments near the one year term are made in the context of rates available from shorter term investments and in accordance with the Sector Weights of the Investment Policy. In addition they are made with the knowledge that should market rates move higher that new cash inflows can be used to take advantage and that should rates move lower the locked in yield can help offset this impact on investment income. When the yield offered on these longer dated investments is above the budgeted rate of return there is an additional incentive as it has a positive impact on achieving the budget target.

Staff believe the strategic approach of locking in some funds in the one year term when rates are relatively attractive continues to be sound in the context of the Investment Policy and the cash flows of HRM. In the normal ebb and flow of Monetary Policy these longer dated maturities can provide support to relative performance and the attainment of investment income objectives. Past relative performance has demonstrated the effectiveness of this strategy.

During the reporting Quarter there were 70 Money Market investments made at a cost of \$259,000,000. This relatively high level of activity was due to the property tax billing due at the end of April, the Spring debenture issue of \$23,000,000 and the maturity of \$39,700,000 of Province of Nova Scotia Promissory Notes related to the Harbour Solutions Project.

It is currently anticipated that the Operating Fund Investment Income target of \$2,700,000 will be met. Lower than anticipated Operating Fund cash balances at the beginning of the year are currently being offset by somewhat higher levels as the fiscal year unfolds. The average rate of return on the Money Market Pool has been modestly above the budgeted rate.

Staff responsible for the administration of the Reserve Funds are currently working on projections of investment income for the fiscal year. Initial indications are that income may be higher than budgeted because of higher cash balances.

HRM Short Term Bond Pool

During the reporting Quarter staff purchased \$2,000,000 of Canada Mortgage Bonds for the Short Term Bond Pool at relatively attractive yields. Treasury Bills and Short Term Bonds spreads have been very narrow and sometimes negative. Staff will continue to be opportunistic and patient when considering further bond investments.

Targeted Reserve Fund Investments

Staff also purchased \$4,000,000 of Canada Mortgage Bonds for the Harbour Solutions Project Reserve during the Quarter. The comments made above in relation to the Short Term Bond Pool are also applicable here.

Cash Flows

There has been a \$35 million decline in cash and investment balances from March 31, 2005 to March 31, 2006. Staff have done some analysis and found that approximately \$30 million of this difference was related to the Capital Fund and \$5 million was associated with the Operating Fund. The Operating Fund difference was mostly due to a decline in the early payment of taxes and a modest increase in Receivables. Approximately \$18 million of the Capital Fund difference was related to billings for funding from senior levels of government for cost sharing with approximately \$11 million of this amount being related to the Harbour Solutions Project. Another \$6 million was related to Capital Cost Contributions and the balance relates to the timing of debt issues for Capital Project Expenditures. Staff are addressing the billing issues. Cash balances have shown improvement. Staff will continue to monitor this situation.

Subsequent to End of Reporting Quarter

Under the new contract for Banking Services the rate of interest paid on HRM bank accounts has been reduced by 10 bps effective September 1. In the past the rate offered was very competitive with external short term investment opportunities and the bank accounts were an integral part of the investment portfolio. With this new arrangement staff will be reducing the amount of funds on deposit while continuing to manage the Liquidity Objective.

Recent press reports have alerted staff that there are some discussions underway that may impact the Canadian Wheat Board. The current federal government is contemplating allowing farmers to sell their grain outside of the Wheat Board monopoly. Wheat Board executives have proposed taking it private and are asking the government for \$1.5 billion to make up for the loss of the federal government borrowing guarantees. Staff will continue to monitor this situation closely and will stop purchasing Wheat Board instruments if there is any suggestion that the federal guarantees may be in jeopardy.

Outlook & Strategy

The Bank of Canada has moved firmly to the sidelines with most market forecasters looking for the next move by the Bank to be a cut in the first half of 2007. The consensus is that a slowdown in the housing markets in Canada and the United States will result in a moderation in economic activity that will bring about rate cuts. Because of this prevailing view the Money Market yield curve has recently become somewhat inverted.

Matching investment maturities to cash requirements will be a priority. Staff will look to maximize the allocation to the Financial Institution Sector to take advantage of the yield spread over government issues. As this Sector fills up there will be a bias to shorter term government issues to rollover into the Financial Institution Sector in the future as maturities and expenditures create more capacity. Investments made in June in the 1 year term while market rates were still rising will provide support to investment income and relative performance.

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 and all investments were held to maturity.

Liquidity - No overdraft charges were incurred and sufficient cash was available to meet all requirements.

Diversification of Investment Portfolio - Staff believe that the Diversification Objective of managing risk and return has been achieved.

Competitive Return on Investment - In light of the investment performance reported above, staff maintain that this objective is being met. Although relative performance was below median on a Quarterly and six month basis the one year return was at median before taking fees into consideration.

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

BUDGET IMPLICATIONS

N/A

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

ALTERNATIVES

N/A

ATTACHMENTS

Appendix A - Economic Statistics and Central Bank Actions
Sector Weight Schedules @ June 30, 2006 (Schedules A, B, C, D & E)

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Derek Tynski, BA, CMA, Deputy Treasurer

Approved by: Derek Tynski, BA, CMA, Deputy Treasurer

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Appendix A

Economic Statistics

	Canada	US
Unemployment Rate	Apr 6.4%, May 6.1%, June 6.1%	Apr 4.7%, May 4.6%, 4.6%
Jobs Created / (Lost) (‘000's)	Apr 22, May 96.7, June (4.6)	Apr 112, May 100, June 124
CPI (year over year)	Apr 2.4%, May 2.8%, June 2.5%	Apr 3.5%, May 4.2%, June 4.3%
CPI-X (Core) (year over year)	Apr 1.6%, May 2.0%, June 1.7%	Apr 2.3%, May 2.4%, June 2.6%
GDP Q2	2.0%	2.5% A

Central Bank Activities April 1 to June 30, 2006

- April 25 - Bank of Canada Increases Rate 25 bps to 4.00%, Bias Tighten
- May 24 - Bank of Canada Increases Rate 25 bps to 4.25%, Bias Neutral
- May 10 - US Federal Open Market Committee Increases Rate 25 bps to 5.00%, Bias Tighten
- June 29 - US Federal Open Market Committee Increases Rate 25 bps to 5.25%, Bias Neutral

**Total Investments
Sector Weights
@ June 30, 2006**

Schedule A

	Category Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$215,498,720	81%	\$266,942,113	100%	\$51,443,393	19%
Federal Government	Open	\$134,247,840	50%				
Business Development Bank	Open	\$24,285,850	9%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$8,669,840	3%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$48,295,190	18%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$10,452,860	4%	\$266,942,113	100%	\$256,489,253	96%
Total Alberta (R-1 High)	Open	\$0	0%	\$66,735,528	25%	\$66,735,528	25%
Alberta (R-1 High)	Open						
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0					
British Columbia (R-1 Mid)	Open			\$66,735,528	25%	\$66,735,528	25%
Manitoba (R-1 Low)	Closed			\$66,735,528	25%	\$66,735,528	
New Brunswick (R-1 Low)	Closed			\$66,735,528	25%	\$66,735,528	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$66,735,528	25%	\$66,735,528	
Nova Scotia (R-1 Low)	Closed			\$66,735,528	25%	\$66,735,528	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$66,735,528	25%	\$66,735,528	
Ontario (R-1 Mid)	Open	\$10,452,860	4%	\$66,735,528	25%	\$56,282,668	21%
Prince Edward Island (R-1 Low)	Closed			\$66,735,528	25%	\$66,735,528	
Quebec (R-1 Low)	Closed			\$66,735,528	25%	\$66,735,528	
Saskatchewan (R-1 Low)	Closed			\$66,735,528	25%	\$66,735,528	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$66,735,528	25%	\$66,735,528	25%
Calgary (R-1 Mid)	Open			\$26,694,211	10%	\$26,694,211	10%
Edmonton (R-1 High)	Open			\$26,694,211	10%	\$26,694,211	10%
Winnipeg (R-1 Mid)	Open			\$26,694,211	10%	\$26,694,211	10%
BA's Schedule A							
Financial Institutions & their Guarantees	Mid	\$40,990,533	15%	\$66,735,528	25%	\$25,744,995	10%
Bank of Montreal (R-1 Mid)	Open	\$13,874,520	5%	\$26,694,211	10%	\$12,819,691	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$6,930,440	3%	\$26,694,211	10%	\$19,763,771	7%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$26,694,211	10%	\$26,694,211	10%
Laurentian Bank (R-1 Low)	Closed			\$26,694,211	10%	\$26,694,211	
National Bank of Canada (R-1 Low)	Closed			\$26,694,211	10%	\$26,694,211	
Royal Bank (R-1 Mid)	Open	\$0 }	1%	\$26,694,211	10%	\$23,741,667	9%
Royal Bank 1 Day BA		\$2,952,544 }					
Toronto Dominion (R-1 Mid)	Open	\$17,233,029	6%	\$26,694,211	10%	\$9,461,182	4%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$266,942,113	100%				
FIXED (Bonds, etc. over one year)							
Federal Government & its Guarantees							
Federal Government (AAA)		\$27,823,786					
Province of Nova Scotia (A-Low)		\$29,300,000					
TOTAL FIXED		\$57,123,786					
EQUITIES							
Bank of Montreal		\$6,410					
TOTAL EQUITIES		\$6,410					
TOTAL INVESTMENTS		\$324,072,309					
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$13,542,374					
TOTAL INVESTMENTS & O/S Cheques Coverage		\$337,614,683					

**Operating Fund
Sector Weights
@ June 30, 2006**

Schedule B

	<u>Category Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$73,462,192	81%	\$90,998,929	100%	\$17,536,737	19%
Federal Government	Open	\$45,764,265	50%				
Business Development Bank	Open	\$8,278,897	9%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$2,955,495	3%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$16,463,534	18%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$3,563,316	4%	\$90,998,929	100%	\$87,435,614	96%
Total Alberta (R-1 High)	Open	\$0	0%	\$22,749,732	25%	\$22,749,732	25%
Alberta (R-1 High)	Open						
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0	0%				
British Columbia (R-1 Mid)	Open			\$22,749,732	25%	\$22,749,732	25%
Manitoba (R-1 Low)	Closed			\$22,749,732	25%	\$22,749,732	
New Brunswick (R-1 Low)	Closed			\$22,749,732	25%	\$22,749,732	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$22,749,732	25%	\$22,749,732	
Nova Scotia (R-1 Low)	Closed			\$22,749,732	25%	\$22,749,732	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$22,749,732	25%	\$22,749,732	
Ontario (R-1 Mid)	Open	\$3,563,316	4%	\$22,749,732	25%	\$19,186,416	21%
Prince Edward Island (R-1 Low)	Closed			\$22,749,732	25%	\$22,749,732	
Quebec (R-1 Low)	Closed			\$22,749,732	25%	\$22,749,732	
Saskatchewan (R-1 Low)	Closed			\$22,749,732	25%	\$22,749,732	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$22,749,732	25%	\$22,749,732	25%
Calgary (R-1 Mid)	Open			\$9,099,893	10%	\$9,099,893	10%
Edmonton (R-1 High)	Open			\$9,099,893	10%	\$9,099,893	10%
Winnipeg (R-1 Mid)	Open			\$9,099,893	10%	\$9,099,893	10%
BA's Schedule A							
Financial Institutions & their Guarantees	Mid	\$13,973,422	15%	\$22,749,732	25%	\$8,776,311	10%
Bank of Montreal (R-1 Mid)	Open	\$4,729,739	5%	\$9,099,893	10%	\$4,370,154	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$2,362,544	3%	\$9,099,893	10%	\$6,737,348	7%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$9,099,893	10%	\$9,099,893	10%
Laurentian Bank (R-1 Low)	Closed			\$9,099,893	10%	\$9,099,893	
National Bank of Canada (R-1 Low)	Closed			\$9,099,893	10%	\$9,099,893	
Royal Bank (R-1 Mid)	Open	\$0	1%	\$9,099,893	10%	\$8,093,389	9%
Royal Bank 1 Day BA		\$1,006,504					
Toronto Dominion (R-1 Mid)	Open	\$5,874,634	6%	\$9,099,893	10%	\$3,225,259	4%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
Total Investments		\$90,998,929	100%				
Interest Bearing Bank Accounts - O/S Cheque Coverage		\$13,542,374					
Total Cash and Investments		\$104,541,305					

**Capital Fund
Sector Weights
@ June 30, 2006**

Schedule C

<u>Category Status</u>		<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
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	0%				
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0	0%				
British Columbia (R-1 Mid)	Open			\$0	25%	\$0	0%
Manitoba (R-1 Low)	Closed			\$0	25%	\$0	
New Brunswick (R-1 Low)	Closed			\$0	25%	\$0	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$0	25%	\$0	
Nova Scotia (R-1 Low)	Closed			\$0	25%	\$0	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$0	25%	\$0	
Ontario (R-1 Mid)	Open	\$0	0%	\$0	25%	\$0	0%
Prince Edward Island (R-1 Low)	Closed			\$0	25%	\$0	
Quebec (R-1 Low)	Closed			\$0	25%	\$0	
Saskatchewan (R-1 Low)	Closed			\$0	25%	\$0	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0	0%	\$0	25%	\$0	0%
Calgary (R-1 Mid)	Open			\$0	10%	\$0	0%
Edmonton (R-1 High)	Open			\$0	10%	\$0	0%
Winnipeg (R-1 Mid)	Open			\$0	10%	\$0	0%
	BA's Schedule A Canadian Banks R-1 Mid	\$0	0%	\$0	25%	\$0	0%
Financial Institutions & their Guarantees	Mid	\$0	0%	\$0	25%	\$0	0%
Bank of Montreal (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Bank of Nova Scotia (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Laurentian Bank (R-1 Low)	Closed			\$0	10%	\$0	
National Bank of Canada (R-1 Low)	Closed			\$0	10%	\$0	
Royal Bank (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Royal Bank 1 Day BA		\$0					
Toronto Dominion (R-1 Mid)	Open	\$0	0%	\$0	10%	\$0	0%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
Total Investments		\$0	0%				

**Reserve Funds
Sector Weights
@ June 30, 2006**

Schedule D

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$139,794,646	81%	\$173,166,125	100%	\$33,371,479	19%
Federal Government	Open	\$87,086,964	50%				
Business Development Bank	Open	\$15,754,301	9%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$5,624,150	3%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$31,329,230	18%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$6,780,801	4%	\$173,166,125	100%	\$166,385,324	96%
Total Alberta (R-1 High)	Open	\$0	0%	\$43,291,531	25%	\$43,291,531	25%
Alberta (R-1 High)	Open						
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0					
British Columbia (R-1 Mid)	Open			\$43,291,531	25%	\$43,291,531	25%
Manitoba (R-1 Low)	Closed			\$43,291,531	25%	\$43,291,531	
New Brunswick (R-1 Low)	Closed			\$43,291,531	25%	\$43,291,531	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$43,291,531	25%	\$43,291,531	
Nova Scotia (R-1 Low)	Closed			\$43,291,531	25%	\$43,291,531	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$43,291,531	25%	\$43,291,531	
Ontario (R-1 Mid)	Open	\$6,780,801	4%	\$43,291,531	25%	\$36,510,731	21%
Prince Edward Island (R-1 Low)	Closed			\$43,291,531	25%	\$43,291,531	
Quebec (R-1 Low)	Closed			\$43,291,531	25%	\$43,291,531	
Saskatchewan (R-1 Low)	Closed			\$43,291,531	25%	\$43,291,531	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0		\$43,291,531	25%	\$43,291,531	25%
Calgary (R-1 Mid)	Open			\$17,316,612	10%	\$17,316,612	10%
Edmonton (R-1 High)	Open			\$17,316,612	10%	\$17,316,612	10%
Winnipeg (R-1 Mid)	Open			\$17,316,612	10%	\$17,316,612	10%
BA's Schedule A Canadian Banks R-1							
Financial Institutions & their Guarantees	Mid	\$26,590,678	15%	\$43,291,531	25%	\$16,700,853	10%
Bank of Montreal (R-1 Mid)	Open	\$9,000,441	5%	\$17,316,612	10%	\$8,316,171	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$4,495,797	3%	\$17,316,612	10%	\$12,820,816	7%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$17,316,612	10%	\$17,316,612	10%
Laurentian Bank (R-1 Low)	Closed			\$17,316,612	10%	\$17,316,612	
National Bank of Canada (R-1 Low)	Closed			\$17,316,612	10%	\$17,316,612	
Royal Bank (R-1 Mid)	Open	\$0 }	1%	\$17,316,612	10%	\$15,401,288	9%
Royal Bank 1 Day BA		\$1,915,324 }					
Toronto Dominion (R-1 Mid)	Open	\$11,179,116	6%	\$17,316,612	10%	\$6,137,497	4%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$173,166,125	75%				
FIXED (Bonds, etc. over one year)	Open (Special)						
Federal Government (AAA)		\$27,769,611	12%				
Province of Nova Scotia (A-Low)		\$29,300,000	13%				
Total Investments		\$230,235,736	100%				

**Trust Funds
Sector Weights
@ June 30, 2006**

Schedule E

	<u>Category Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
CASH & EQUIVALENTS							
Federal Government & its Guarantees	Open	\$2,241,882	81%	\$2,777,059	100%	\$535,177	19%
Federal Government	Open	\$1,396,611	50%				
Business Development Bank	Open	\$252,651	9%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$90,194	3%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$502,426	18%				
Provincial Governments & their Guarantees	R-1 Mid or Greater	\$108,743	4%	\$2,777,059	100%	\$2,668,316	96%
Total Alberta (R-1 High)	Open	\$0	0%	\$694,265	25%	\$694,265	25%
Alberta (R-1 High)	Open						
Alberta Municipal Finance Corp (R-1 High)	Open						
Alberta Treasury Branches (R-1 High)	Open	\$0					
British Columbia (R-1 Mid)	Open			\$694,265	25%	\$694,265	25%
Manitoba (R-1 Low)	Closed			\$694,265	25%	\$694,265	
New Brunswick (R-1 Low)	Closed			\$694,265	25%	\$694,265	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$694,265	25%	\$694,265	
Nova Scotia (R-1 Low)	Closed			\$694,265	25%	\$694,265	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$694,265	25%	\$694,265	
Ontario (R-1 Mid)	Open	\$108,743	4%	\$694,265	25%	\$585,521	21%
Prince Edward Island (R-1 Low)	Closed			\$694,265	25%	\$694,265	
Quebec (R-1 Low)	Closed			\$694,265	25%	\$694,265	
Saskatchewan (R-1 Low)	Closed			\$694,265	25%	\$694,265	
Municipal Governments & their Guarantees*	R-1 Mid or Greater	\$0	0%	\$694,265	25%	\$694,265	25%
Calgary (R-1 Mid)	Open			\$277,706	10%	\$277,706	10%
Edmonton (R-1 High)	Open			\$277,706	10%	\$277,706	10%
Winnipeg (R-1 Mid)	Open			\$277,706	10%	\$277,706	10%
BA's Schedule A							
Canadian Banks R-1							
Financial Institutions & their Guarantees	Mid	\$426,434	15%	\$694,265	25%	\$267,831	10%
Bank of Montreal (R-1 Mid)	Open	\$144,340	5%	\$277,706	10%	\$133,366	5%
Bank of Nova Scotia (R-1 Mid)	Open	\$72,099	3%	\$277,706	10%	\$205,607	7%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0	0%	\$277,706	10%	\$277,706	10%
Laurentian Bank (R-1 Low)	Closed			\$277,706	10%	\$277,706	
National Bank of Canada (R-1 Low)	Closed			\$277,706	10%	\$277,706	
Royal Bank (R-1 Mid)	Open	\$0	1%	\$277,706	10%	\$246,990	9%
Royal Bank 1 Day BA		\$30,716					
Toronto Dominion (R-1 Mid)	Open	\$179,279	6%	\$277,706	10%	\$98,427	4%
Corporations & their Guarantees	Closed						
TOTAL CASH & EQUIVALENTS		\$2,777,059	98%				
FIXED (Bonds, etc. over one year)							
Federal Government & its Guarantees							
Federal Government		\$54,175	2%				
TOTAL FIXED							
EQUITIES							
Bank of Montreal		\$6,410	0%				
TOTAL EQUITIES							
Total Investments		\$2,837,642	100%				