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**Halifax Regional Council**  
**November 22, 2005**

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

**SUBMITTED BY:**

Handwritten signature of Bill Karsten in cursive script.

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Bills Karsten, Co-Chair Investment Policy Advisory Committee

Handwritten signature of Derek Tynski in cursive script.

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Derek Tynski, Co-Chair Investment Policy Advisory Committee

**DATE:** November 8, 2005

**SUBJECT:** Amendments to the Halifax Regional Municipality Investment Policy

**ORIGIN**

Review of the Halifax Regional Municipality Investment Policy by the Investment Policy Advisory Committee

**RECOMMENDATION**

It is recommended that:

1. Council approve the Halifax Regional Municipality Investment Policy as amended and attached as Appendix A.

## **BACKGROUND**

In April 2002 Regional Council approved the Halifax Regional Municipality Investment Policy (the Policy) as recommended by the Investment Policy Advisory Committee (the Committee) and staff. In accordance with Section 100 of the Municipal Government Act the Minister of Service Nova Scotia and Municipal Relations approved the Policy in May 2002.

In addition to the ongoing monitoring of investment activities by staff, the Policy also provides for the review of the Policy by the Committee. The Policy also calls for any changes to be recommended by the Chief Administrative Officer on the advice of the Treasurer.

## **DISCUSSION**

Over the past number of months the Committee has conducted a review of the Policy. This was the first major review of the Policy since its adoption in the spring of 2002. The Committee solicited input from staff that have put the Policy into practice. The reports and discussions from the Quarterly meetings of the Committee as well as feedback from other external parties were considered as part of this review.

The six objectives of the Policy, stated in order of importance, are as follows:

1. Adherence to Legal Requirements
2. Preservation of Capital
3. Liquidity
4. Diversification of Investment Portfolio
5. Competitive Return on Investments
6. Regular Review of Performance

Overall the Committee is satisfied that the Policy Objectives are still relevant and provide the necessary framework for investment decision making by staff. However there are a number of areas where the Committee believes the Policy could be enhanced to provide greater clarity and as a result have recommended a number of amendments to the Policy which are discussed below.

- 1) Clarification that the Policy does not apply to loans made by HRM as permitted under the Municipal Government Act.

On occasion Council may provide loans to HRM related entities. As these loans are generally made in part to advance a social purpose the Committee does not believe that they should be governed by this Policy.

- 2) Exceptions to the Policy shall be permitted from time to time upon approval of Council and the Minister of Service Nova Scotia and Municipal Relations.

The Committee does not believe it necessary to make specific amendments to the Policy should Council wish to occasionally make exceptions to the Policy. A case in point is the amendments made in 2004 to allow for the investment in the Province of Nova Scotia Promissory Notes related to the Harbour Solutions Project Financing. The Committee believes that should there be a number of such amendments, the overall thrust of the Policy could be obscured and is therefore recommending that the specific Policy amendments to allow for the investment in the Province of Nova Scotia Promissory Notes now be removed in favour of more general wording permitting Policy exceptions. The Committee would, however, encourage staff and Council to seek the advice of the Committee when contemplating Policy exceptions as was done in the case of the investment in the Province of Nova Scotia Promissory Notes.

- 3) The Committee recommends that the Policy should be reviewed annually.

Although the original Policy implied review by the Committee this amendment lays out a time frame for these reviews.

- 4) The Sector Weight Schedules attached to the Policy should be used and interpreted in the context of the Objectives of the Policy.

This amendment provides an explicit link between the Policy Objectives and the Sector Weight Schedules. Staff should not simply be guided by the Sector Weight Schedules when making investment decisions but should always keep the Policy Objectives foremost. An example of how staff have done this is the forgoing of Corporate Sector investments, permitted under the Sector Weight Schedules, in the wake of a number of high profile corporate frauds and bankruptcies to provide greater assurance that the crucial objective of Preservation of Capital would be met.

- 5) Investments which have been subject to a downgrade in their credit rating below the minimum level required by the Policy shall be converted to cash within a reasonable period of time, given current market conditions.

The Policy had been silent on this point so this clause will provide some guidance to staff should an unanticipated credit event occur.

- 6) Foreign currency investments shall only be made to match foreign currency requirements to meet obligations payable in foreign currencies from time to time.

This clause replaces a previous one on the matter of investments in foreign currency and provides a greater level of clarity.

- 7) In evaluating the return on investment, performance of investments shall be measured against the rate of return of the “Mercer Investment Consulting Survey of Institutional Pooled Funds Money Market Median” with an allowance for average fees on this asset class as reported in the Survey on a one-year rolling basis.

This change adds an explicit performance benchmark to assist in interpreting the Competitive Return on Investments Objective of the Policy.

- 8) The minimum Corporate Sector Weight credit rating has been increased from R-1 Low to R-1 High and the Maximum investment per issuer has been reduced from 10% to 2% for Money Market investments. For Fixed Income investments the Corporate Sector minimum credit rating has been increased to AAA from A and the maximum per issuer has been reduced from 5% to 2%.

Although staff have chosen to date not to make investments in the Corporate Sector for reasons outlined in #4 above, there was a desire to maintain some flexibility for the future. The Committee and staff agreed that increasing the credit quality requirement to the highest level attainable, R-1 High for Money Market investments and AAA for bonds, the flexibility could be maintained while adding an additional degree of security.

- 9) Miscellaneous minor editorial changes.

### **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**

Council could reject any or all of the recommended changes to the Policy. However, this is not recommended as the Committee believes the changes to be appropriate.

**ATTACHMENTS**

Amended Halifax Regional Municipality Investment Policy. Changes to the Policy are identified by underlined italicized text for additions and bold text for deletions.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: *Derek Tynski*  
Derek Tynski, Co-Chair, Investment Policy Advisory Committee

Report Approved by: \_\_\_\_\_  
Councillor Bill Karsten, Co-Chair, Investment Policy Advisory Committee

*Derek Tynski*  
Derek Tynski, Co-Chair, Investment Policy Advisory Committee



## INVESTMENT POLICY

Approved by Regional Council: Date

Approved by Minister of Service Nova Scotia and Municipal Relations: Date

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## A. TERMS OF REFERENCE

The Halifax Regional Municipality Council appointed the Investment Policy Advisory Committee in accordance with a recommendation contained in a report, dated March 24, 1998, submitted to Council by the Acting Chief Administrative Officer. On April 14, 1998, Halifax Regional Municipality Council unanimously resolved as follows:

1. An Investment Policy Advisory Committee be formed to recommend to Council an investment policy for the Halifax Regional Municipality and provide ongoing monitoring of investment activities.
2. That this Committee be comprised *of for [sic]* one representative from the business community, one from the academic community, one member at large, one member of Council and one member of staff.

The composition of the Committee shall include volunteer members holding a combination of finance and investment knowledge and relevant professional, business or educational experience.

An Investment Policy Advisory Committee (the "Policy Committee") was established and members were appointed July 14, 1998.

The mandate of the Policy Committee, as recommended to Council, includes establishing credit quality restrictions, recommending an appropriate set of guidelines, practices and procedures to guide the investment operations of the Halifax Regional Municipality, and monitoring same on an ongoing basis through periodic reports to Council.

## B. INTRODUCTION

The Investment Policy of the Halifax Regional Municipality shall govern the investment of trust funds, reserve funds and surplus cash balances. Investments of the Halifax Regional Municipality Pension Plan are governed under a separate investment policy and are not addressed in this document. *This Policy does not apply to loans permitted under the Municipal Government Act. Exceptions to this Policy shall be permitted from time to time upon approval by Council and the Minister of Service Nova Scotia and Municipal Relations.*

For the purpose of this policy, trust funds are funds which result from trust agreements through which the Municipality is accountable to third parties for the use and disposition of trust assets. In general these trusts are perpetual in nature with the majority of the income derived from the trust assets being used for the purpose of the trust and the principal being preserved.



Reserve funds are special purpose funds established through Provincial regulation or by motion of the Halifax Regional Municipality Council. Cash requirements are dependent on the purpose of the particular reserve fund. In general these requirements would be such that only a partial amount of a reserve may be expended in a given year which would allow for an investment time horizon spanning several years.

Surplus cash balances refer to the operating fund and capital fund. The operating fund pertains to the general operations of the Halifax Regional Municipality and the direct provision of services to its citizens. The investment time horizon for this fund would generally be short term in nature with some cash requirements daily while others are on bi-weekly and monthly cycles. The capital fund provides for expenditures on infrastructure and capital assets. Cash requirements would be driven by project expenditures that could span more than one year.

Schedule A attached provides sector weights and investment quality restrictions for the portfolios anticipated above.

**The policy shall be adhered to by the Halifax Regional Municipality in management of cash balances.** The Investment Policy of the Halifax Regional Municipality has been established on the basis of certain objectives which shall be adhered to in the investment of funds by or on behalf of the Halifax Regional Municipality.

The Policy Committee shall review the administration of the Investment Policy by the Halifax Regional Municipality staff responsible for on-going investment activities, as designated by the Treasurer. Such review shall focus on compliance with the specific investment objectives of the Policy and continued relevance of the Investment Policy itself. The Policy Committee shall submit reports to Council not less frequently than quarterly. *The Investment Policy shall be reviewed by the Committee annually.*

## C. INVESTMENT OBJECTIVES

The six objectives of the Investment Policy, stated in order of priority of importance, are as follows:

1. ADHERENCE TO LEGAL REQUIREMENTS
2. PRESERVATION OF CAPITAL
3. LIQUIDITY
4. DIVERSIFICATION OF INVESTMENT PORTFOLIO
5. COMPETITIVE RETURN ON INVESTMENTS
6. REGULAR REVIEW OF PERFORMANCE

The Policy Committee shall review the Investment Policy and monitor the administration of the Investment Policy. Policy amendments, as necessary, shall be presented to Council upon recommendation of the Chief Administrative Officer. The Policy Committee shall approve investment asset mix parameters, establish credit quality restrictions, and recommend an appropriate set of guidelines, practices and procedures for the investment of funds by the Halifax Regional Municipality.

#### D. INVESTMENT POLICY

The Treasurer shall be responsible for administering the investment activities of the Halifax Regional Municipality in accordance with the Investment Policy. The Treasurer shall recommend to the Policy Committee investment asset mix parameters and credit quality restrictions and shall develop and maintain appropriate procedures and controls for recording, reporting, and monitoring investments to ensure that investments are made in accordance with the Investment Policy. The Treasurer shall monitor investment performance and prepare reports not less frequently than quarterly for the Policy Committee and Council on performance and adherence to the Investment Policy.

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objectives as discussed below.

*The Sector Weight Schedules attached to this Policy should be used and interpreted in the context of the Objectives of the Policy.*

**For the purpose of the Investment in the Province of Nova Scotia Promissory Notes of \$110,000,000 by the Halifax Regional Municipality from the borrowing for the Halifax Harbour Solutions Project, an exception be made to the provisions on Sector Weight, Credit Quality and Maximum Percentage of Portfolio per Issuer. These Promissory Notes will mature over a period commencing from the beginning of 2005 and to end no later than October 31, 2007. These Promissory Notes shall be held as investments of the Reserve Fund.**

#### 1. ADHERENCE TO LEGAL REQUIREMENTS

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with all legal restrictions imposed by statute and any conditions prescribed by the terms of specific trusts in respect of property held by the Halifax Regional Municipality and its predecessor municipalities in trust. Investments shall be made in accordance with the provisions of the *Municipal Government Act* (Nova Scotia), the *Trustee Act* (Nova Scotia), and any other applicable legislation.

The Treasurer, with assistance from the Halifax Regional Municipality legal department as necessary, shall ensure that all investments are permitted in accordance with all applicable law and trust terms.

2. PRESERVATION OF CAPITAL

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of preserving and protecting the principal amount. Accordingly, all investment opportunities shall be evaluated on the basis of risk of loss or diminution of capital. Investments which are determined to be inconsistent with the objective of preserving and protecting the principal amount are prohibited.

In assessing the degree of risk, greater relevant importance shall be given to the objective of preservation of capital than to the extent to which an investment provides for maintenance of necessary liquidity, diversification of investment portfolio or a competitive return on investment.

*Investments which have been subject to a downgrade in their credit rating below the minimum level required by the Policy shall be converted to cash within a reasonable period of time, given current market conditions.*

3. LIQUIDITY

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of maintaining liquidity necessary in order to meet fluctuations in the cash flow requirements of the Halifax Regional Municipality.

The type and term of investments shall be determined by reviewing a forecast of the cash flow requirements of the Halifax Regional Municipality. The forecast of cash flow requirements will determine the proper proportion of investments that have terms to maturity which match the cash flow requirements of the Halifax Regional Municipality.

Approach: Cash Management staff of the Halifax Regional Municipality shall develop, not less frequently than monthly, forecasts of cash flow requirements based on revenue and expense projections.

Surplus and/or reserve funds not required for immediate or near-term expenses can be classified as follows:

- minimum cash balances
- temporary surpluses from operating funds
- longer term cash surpluses from reserve and trust funds

Investments: Efficient cash management results from a consideration of liquidity requirements and asset distribution within the parameters of preservation

of capital, attainment of maximum return on investment, and diversification.

Funds not required for a specific short-term need can be invested in longer term securities; here, the most important consideration is the expectation of future interest rates and a reliable forecast of the timing of the need for these funds.

#### 4. DIVERSIFICATION OF INVESTMENT PORTFOLIO

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of diversification of the investment portfolio in order to minimize risk and achieve optimal balance of risk and return.

The allocation and limitation of investments will be determined in accordance with the objective of diversification, using the following inter-related criteria:

- *liquidity of investment*
- **(liquid)** fixed income vs. equity investment
- credit rating of issuer
- maximum allocation by sector class (e.g. federal vs. provincial vs. municipal government issue / corporate bonds)
- duration of investment (interest rate risk)

**Investments denominated in foreign currency may be made provided that such investments are made in a manner consistent with the objective of maintaining liquidity necessary in order to meet foreign currency requirements from time to time.**

*Foreign currency investments shall only be made to match foreign currency requirements to meet obligations payable in foreign currencies from time to time.*

**Approach:** On the advice of the Treasurer, the Chief Administrative Officer shall recommend to Council any changes to asset mix and the minimum credit rating criteria applicable to each investment type, class, and sector. Schedule A contains recommended sector weights and minimum credit rating criteria for investments by the Halifax Regional Municipality. Schedule B contains a list of categories of investments in which the Halifax Regional Municipality may invest.

**Investments:** HRM Cash Management staff shall select investments based on above criteria which shall be reviewed by the Policy Committee not less frequently than quarterly.

5. COMPETITIVE RETURN ON INVESTMENTS

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of obtaining a competitive return on investments and weighing investment alternatives within the constraints of the policy objectives and subject to regular performance review. *In evaluating the return on investments, performance of investments shall be measured against the rate of return of the “Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds Money Market Median” with an allowance for average fees on this asset class as reported in the Survey on a one-year rolling basis.”*

There will be a number of investment options available at any given investment decision point. Subject to the constraints of Objectives 1 to 4 outlined above, the investment which yields the optimal return in the appropriate portfolio segment shall be chosen.

Competitive Return on Investment:

Will determine: Process for obtaining investment vehicles and making investment decision.

Definition: Return refers to both interest coupon and discount or premium on any given investment vehicle, depending upon the portfolio segment. In addition fees associated with a given transaction will also be taken into consideration when assessing competitive return.

Approach: An investment program can be implemented through in-house management where individual investments are placed by Halifax Regional Municipality staff or through the use of an external pooled fund vehicle whereby active management is delegated to an outside service provider. A combination of the above is also allowable.

In the context of in-house management, competitive return implies a bidding process for each investment to ensure that the best return available at a given time is selected under the constraints of Objectives 1 to 4.

In the context of the use of external management (i.e. pooled fund), competitive return implies the selection of a service provider based on historical performance, fee structure, stability of the organization, ability to satisfy the Investment Objectives and other aspects of the Investment Policy.

For a combined approach an optimal choice would be made based on the investment options available under the constraints of the Investment Policy.

6. REGULAR REVIEW OF PERFORMANCE

In order that a concise overview of the performance of investments may be gleaned by all stakeholders, all segments and the total investment portfolio shall operate within a sound system of regular measurement, reporting, review, and evaluation.

Performance of the portfolio shall be measured by staff based on time-weighted rates of return taking into account trade dates, and reviewed and evaluated against the Halifax Regional Municipality Investment Policy as well as against external benchmarks such as Canadian Money Market, Canadian Fixed Income, and Canadian Equity Indices, as appropriate.

E. VALUATION OF INVESTMENTS

Investments in publicly traded securities shall be recorded, by the custodian, on a mark-to-market basis and shall be reported to the Treasurer not less frequently than monthly.

Investment in pooled funds comprising publicly traded securities shall be valued according to the unit values published at least weekly by the pooled fund manager.

If a market valuation of the investment is not readily available, then a fair value shall be determined by the Treasurer in accordance with generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, as published in the Handbook of the Canadian Institute of Chartered Accountants, or any successor publication. For each such non-traded investment, an estimate of fair value shall be supplied by the custodian no less frequently than monthly. In all cases, the methodology should be applied consistently over time.

Any Custodian acting on behalf of the Halifax Regional Municipality shall record the investments held by the Halifax Regional Municipality. The Custodian shall also record and receive any income from these investments as well as perform those other duties typically associated with a professional custodian.

F. CONFLICT OF INTEREST

A conflict of interest occurs when any interested person may benefit materially from knowledge of, participation in, or by virtue of an investment decision.

An "interested person" includes:

- any employee of the Halifax Regional Municipality who is managing in-house portfolios or is involved in the investment of funds by the Halifax Regional Municipality
- any member of the Policy Committee, and
- any person related to any of the foregoing

Should a conflict of interest occur, the person who has a conflict of interest or any person who becomes aware of a conflict of interest situation, shall immediately disclose the conflict to the Treasurer. Any such party shall abstain from decision making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Treasurer.

Interested persons involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

The Code of Ethics and Standards of Professional Conduct adopted by the Association of Investment Management and Research shall be expected to apply to external investment managers.

## SCHEDULE A (1)

### Sector Weights - Operating Fund

	Maximum % of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Rating Required*
<u>CASH &amp; EQUIVALENTS</u> (Treasury Bills, Banker's Acceptance, etc under one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25	100	R-1 Low**
Municipal Governments & their Guarantees	10	25	R-1 Low**
Financial Institutions & their Guarantees	10	25	R-1 Low**
Corporations & their Guarantees	<u>10</u>	25	<b>R-1 Low <u>R-1 High</u>**</b>
<u>FIXED</u> (Bonds, etc. over one year)		10	
Federal Government & its Guarantees	10	10	N/A
Provincial Governments & their Guarantees	10	10	A-**
Municipal Governments & their Guarantees	5	10	A-**
Financial Institutions & their Guarantees	5	10	A
Corporations & their Guarantees	<u>5</u>	10	<u>AAA</u>

The Maximum % of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

**\* Investment quality restrictions do not apply to loans to HRM related entities as permitted under the Municipal Government Act. However Maximum % of Portfolio Per Issuer restrictions do apply.**

\* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

\*\*A maximum of 20% of this portfolio will be permitted in entities with a rating of R-1 Low or A-.

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.



## SCHEDULE A (2)

### Sector Weights - Capital Fund

	Maximum % of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Rating Required*
<u>CASH &amp; EQUIVALENTS</u> (Treasury Bills, Banker's Acceptance, etc under one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25	100	R-1 Low**
Municipal Governments & their Guarantees	10	25	R-1 Low**
Financial Institutions & their Guarantees	10	25	R-1 Low**
Corporations & their Guarantees	<u>10</u>	25	<b>R-1 Low <u>R-1 High</u>**</b>
<u>FIXED</u> (Bonds, etc. over one year)		10	
Federal Government & its Guarantees	10	10	N/A
Provincial Governments & their Guarantees	10	10	A-**
Municipal Governments & their Guarantees	5	10	A-**
Financial Institutions & their Guarantees	5	10	A
Corporations & their Guarantees	<u>5</u>	10	<u>AAA</u>

The Maximum % of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

**\* Investment quality restrictions do not apply to loans to HRM related entities as permitted under the Municipal Government Act. However Maximum % of Portfolio Per Issuer restrictions do apply.**

\* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

\*\*A maximum of 20% of this portfolio will be permitted in entities with a rating of R-1 Low or A-.

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

SCHEDULE A (3)  
Sector Weights - Reserves

	Maximum % of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Rating Required*
<u>CASH &amp; EQUIVALENTS</u> (Treasury Bills, Banker's Acceptance, etc. under one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25	100	R-1 Low**
Municipal Governments & their Guarantees	10	25	R-1 Low**
Financial Institutions & their Guarantees	10	25	R-1 Low**
Corporations & their Guarantees	<u>10</u>	25	<b>R-1 Low R-1 High**</b>
<u>FIXED</u> ( Bonds, etc. over one year)		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25	50	A-**
Municipal Governments & their Guarantees	5	25	A-**
Financial Institutions & their Guarantees	5	25	A
Corporations & their Guarantees	<u>5</u>	25	<u>AAA</u>
<u>EQUITIES</u>			
TSE 300 or S&P 500***	2	10	

The Maximum % of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

**\* Investment quality restrictions do not apply to loans to HRM related entities as permitted under the Municipal Government Act. However Maximum % of Portfolio Per Issuer restrictions do apply.**

\* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

\*\*A maximum of 20% of this portfolio will be permitted in entities with a rating of R-1 Low or A-.

\*\*\* Entities in which equity investments are held must maintain a minimum bond rating of A-.

\*\*\*\* **For the purposes of the Investment in the Province of Nova Scotia Promissory Notes of \$110,000,000 by the Halifax Regional Municipality from the borrowing for the Halifax Harbour Solutions Project, an exception be made to the provisions on Sector Weight, Credit Quality and Maximum Percentage of Portfolio per Issuer.**

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

## SCHEDULE A (4)

### Sector Weights - Trust Funds

	Maximum % of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Rating Required*
<u>CASH &amp; EQUIVALENTS</u> ( Treasury Bills, Banker's Acceptance, etc. under one year)			
		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	25	100	R-1 Low**
Municipal Governments & their Guarantees	10	25	R-1 Low**
Financial Institutions & their Guarantees	10	25	R-1 Low**
Corporations & their Guarantees	<u>10</u>	25	<b>R-1 Low <u>R-1High</u>**</b>
<u>FIXED</u> ( Bonds, etc. over one year)			
		100	
Federal Government & its Guarantees	100	100	N/A
Provincial Governments & their Guarantees	10	100	A-**
Municipal Governments & their Guarantees	5	25	A-**
Financial Institutions & their Guarantees	5	25	A
Corporations & their Guarantees	<u>5</u>	25	<u>AAA</u>
<u>EQUITIES</u>			
TSE 300 or S&P 500***	2	10	

The Maximum % of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

**\* Investment quality restrictions do not apply to loans to HRM related entities as permitted under the Municipal Government Act. However Maximum % of Portfolio Per Issuer restrictions do apply.**

\* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

\*\*A maximum of 20% of this portfolio will be permitted in entities with a rating of R-1 Low or A-.

\*\*\* Entities in which equity investments are held must maintain a minimum bond rating of A-.

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

## SCHEDULE B

### Eligible List of Investments

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the Investment Policy. The Halifax Regional Municipality may invest in the following asset categories:

Banker's Acceptances  
Bearer Deposit Notes  
Canadian Treasury Bills  
Commercial Paper  
Municipal Promissory Notes\*  
Bank Subsidiary Paper  
Provincial Treasury Bills  
Term Deposits  
Guaranteed Investment Certificates  
CMHC Mortgage Backed Securities  
Federal, Provincial, Municipal Bonds and Debentures  
Corporate Bonds and Debentures  
Equities

Any obligations unconditionally guaranteed by the federal government of Canada  
Any obligations unconditionally guaranteed by a provincial government of Canada

**\* This includes Promissory Notes for loans to Halifax Regional Municipality related entities as permitted under the Municipal Government Act.**