

2.

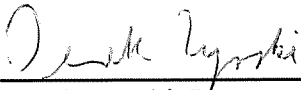


PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

Halifax Regional Council  
June 17, 2003

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

**SUBMITTED BY:**   
Dale MacLennan, Director of Financial Services

  
Derek Tynski, Investment Analyst

**DATE:** June 9, 2003

**SUBJECT:** Investment Activities - Quarter Ending December 31, 2002

### 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, 2002 has been submitted to the Committee.

## DISCUSSION

### Economic and Investment Climate

Economic Statistics:

	Canada	US
Q3 GDP (Ending Sept.30)	3.1%	4.0%
Unemployment Rate	Oct. 7.6%, Nov. 7.5%, Dec. 7.5%	Oct. 5.7%, Nov. 6.0%, Dec. 6.0%
CPI (year over year)	Oct. 3.2%, Nov. 4.3%, Dec. 3.9%	Oct. 2.0%, Nov. 2.0%, Dec. 2.4%
CPI-X (Core) (year over year)	Oct. 2.5%, Nov. 3.1%, Dec. 2.7%	Oct. 2.2%, Nov. 2.0%, Dec. 1.9%

Looking at the above figures one may well ask why Central Bankers and Economists are wringing their hands. Statistics reported after December 31 provide the clues. Preliminary US GDP data for the Quarter ending December 31, 2002 indicates that the US economy slowed to a 0.7% annual rate. However, a glimmer of light was shown with an increase in capital spending for equipment and software for the third straight quarter. US Conference Board Consumer Confidence fell to 79.0 for January 2003 versus a reading of 97.8 one year ago. This indicator appears to be stabilizing for now.

While the US worries about slow job growth and deflation the opposite is the concern in Canada. December saw an increase of 58,000 jobs in Canada bringing the total to a record 560,000 additional jobs for the year. The increase in the labour force participation rate has kept the unemployment rate higher than one might expect.

Generally the investment climate of 2002, in Canada and around the world, could most charitably be described as difficult. Published reports indicate that the US saw a record number of earnings restatements in 2002. Public companies made 330 accounting restatements, a 22% increase over 2001. Standard & Poors reports that preliminary global default figures indicate a record of \$157.3 Billion for 2002. In Canada, the Dominion Bond Rating Service reports that ratings downgrades exceeded upgrades by nearly a 5 to 1 ratio. The continued decline in stock market indices, corporate malfeasance, record bankruptcies and the uncertain geopolitical situation were not what investors were looking for.

### **HRM Investment Activities & Strategy**

Against this backdrop the emphasis on very high quality investments was maintained with the majority of purchases in the Quarter being R-1 High rated instruments of the Federal Government & its Guarantees. R-1 Middle Financial Institution instrument purchases were made for terms of three months or less to take advantage of the higher spreads over Government of Canada instruments while at the same time targeting maturities to expenditures. R-1 Middle Provincial instruments were purchased at varying terms depending on availability for the maturity dates that were being sought.

Forty investments totaling \$139,509,279 were made during the Quarter with most of these having a Term to Maturity of between 92 to 180 days. This was consistent with staff's viewpoint that rates would not be going up in the near term but that the longer term picture is more uncertain.

Although the Sector Weight restriction of the Policy refers to the maximum percentages per issuer and category at the time of placing an investment, staff have taken the more conservative approach of targeting these percentages within the appropriate weighting for the entire period that the investments will be held. This involves projections of future balances and is therefore subject to some variation.

As requested by the Committee, the aggregated Sector Weight Schedule has been broken down by Fund (see attachments). Investments were allocated on a percentage basis with the exception of two legacy investments included in the Trust Funds being the Government of Canada Bonds and the Bank of Montreal Shares, which are held in certificate form at the Royal Bank of Canada Main Branch in Halifax.

Sector Weights - Total Fund - Schedule A - This is similar to the Sector Weights Schedule shown in previous reports and includes all investments.

Sector Weights - Operating Fund - Schedule B - It is anticipated that most or all of these funds will be spent by March 31, 2003. This fund represents the residual amount after the Reserve and Trust Funds receive their allocation of financial assets. This fund also provides the cash for interest free

interim financing of Capital Projects as well as loans made by HRM. As part of HRM's consolidated banking arrangements the cash balances of a number of HRM Associations, Boards and Commissions (ABC's) are also invested as part of the short term pool. At December 31, 2002 these ABC balances totaled \$12,616,019 and are included in this Schedule.

Sector Weights - Capital Fund - Schedule C - This Fund does not hold any investments at this time.

Sector Weights - Reserve Funds - Schedule D - The bulk of these funds (some \$72 Million) are held in the Pollution Control Reserve. It is anticipated that most of these funds will be spent on the Harbour Solution Project over the next two years. Cash flows are currently under review as details on the timing of expenditures and recoveries from senior levels of government are finalized.

The balance of Reserve Funds are smaller accounts ranging from several thousand dollars to some \$7 Million. From discussions with staff most of these funds could not be earmarked for long term investments as anticipated demands are shorter term. Two exceptions to this are the Sackville and Otter Lake Landfill Closure funds. While some funds will be required for cell closures at Otter Lake and costs at the Sackville site, there will also be some funds that may be invested for a longer term time horizon. The relatively low level of long term interest rates combined with the indications from the Bank of Canada that short term rates will increase have kept staff from pursuing long term investments at this time and have therefore kept these funds invested in the short term pool.

Sector Weights - Trust Funds - Schedule E - These funds are held for a variety of purposes however the general theme is that the principal is to be maintained while the income earned is applied to the purpose of the Trust. With the exception of the two legacy investments, these funds have been kept in the short term pool for the reasons discussed above. However, consideration is being given for investment of some of these funds in Government of Canada Real Return Bonds. This matter has been discussed with the Committee and no objections were raised.

Staff are also reviewing the terms of a Sackville Landfill account that was established to compensate the community of Sackville for hosting the Metropolitan Authority Landfill to determine if it would be appropriate to invest these funds under the provisions of the Policy. The balance in this account at December 31, 2002 is \$1,035,509 and is not included in this Schedule.

### Policy Compliance

Adherence to Legal Requirements - During the Quarter under review there were no legal issues raised regarding investments.

Preservation of Capital - As discussed above investments continued to be made in very high quality instruments. All investments were held to maturity and no loss of capital occurred

during the Quarter.

Liquidity - No overdraft interest charges were incurred during the Quarter as sufficient funds were available to meet all requirements. No investments were sold prior to maturity to meet cash requirements. At the last meeting of the Committee there was discussion on how reporting could be enhanced to better demonstrate how this objective is being met. Several changes in reporting have been made however staff are continuing to work with the Committee to find the "right fit".

#### Diversification of Investment Portfolio

Staff maintain that the Diversification objective of managing risk and return has been met although the number of different names in the portfolio is relatively small. The concentration on very high quality excludes Corporate instruments as well as R-1 Low rated Governments. The cautious approach to the Financial Institutions sector may at times also limit the number of names in the portfolio.

#### Competitive Return on Investment

Mercer Investment Consulting performance data has been obtained to December 31, 2002. The rate of return for the HRM short term portfolio was 0.7% and 2.6% for the quarter and year ending December 31, 2002 respectively. Given the emphasis on very high quality investments, with the reduced risk and return this entails, this relative performance is more than satisfactory.

Money Market Funds	3 Months (%)	YTD (Jan-Dec) (%)
5 <sup>th</sup> Percentile	.8	2.8
1 <sup>st</sup> Quartile	.7	2.7
<b>Mercer Median</b>	<b>.7 HRM .7</b>	<b>2.6 HRM 2.6</b>
3 <sup>rd</sup> Quartile	.7	2.5
95 <sup>th</sup> Percentile	.7	2.4
SC 91 Day T-Bills	.7	2.5

With regards to the Scotia Capital 91 Day T-Bill index, comparative HRM performance was

also satisfactory. However, staff question the usefulness of comparisons to this index for our purposes. The index is calculated based on a portfolio of a single security that is switched into a new T-Bill at each auction. In the case of the 91 Day T-Bill this occurs every two weeks. This index does not represent an investable option, i.e. there are no Funds that staff are aware of that can be purchased that seek to mirror performance of this index. Staff believe that relative performance is a more useful indicator in that Funds exist that have provided the stated rates of return. However, the level of risk that these Funds portfolio's contain as well as the fees required and the consistency of returns must also be taken into consideration.

A competitive bidding process was maintained in the placement of all investments.

Investment income for the fiscal year ending March 31, 2003 was \$5,005,995. This compares to a budget of \$3,396,000. The positive variance is due to higher cash balances, principally due to the timing of expenditures on the Harbour Solutions Project, as well as higher short term portfolio rates of return than budgeted.

#### Regular Review of Performance

Performance data is being accumulated and will continue to be reported to the Committee. Staff are also working with other Municipalities to assess relative performance.

#### Outlook

With regards to the Financial Institution sector it has been a case of no news is good news. While recent media reports have highlighted challenges around their pension liabilities, which appear manageable, credit quality has not been making headlines. As a result staff are growing more comfortable with all of the R-1 Middle rated names in this sector.

The Bank of Canada's hawkish statements the week of January 20 that accompanied the January 21 interest rate decision date as well as the semi-annual Monetary Policy Report have removed any near term risk of a rate cut except in response to a major economic or geopolitical event. Staff have gone back to "two dimensional" (i.e. hold or increase) versus the "three dimensional" (reduce, hold or increase) approach that was adopted after the US Federal Reserve made the 50 bps cut in November. Of course the key question is when the increases will begin. While staff held the view that an increase in the Bank Rate would probably not occur until April 15, the Bank of Canada in fact increased its rate March 4 and followed through with another increase at the April date. With the receipt of tax payments at the end of April we are well positioned to take advantage of these higher rates. However, there seems to be more than the usual differences of opinion as to whether the Bank of

Canada will follow through with more rate increases. The possibility of rate cuts later in the year has also been raised.

Looking further out over next year's budget cycle ending March 31, 2004 the view continues to be cloudy at best. Looking for guidance from developments in the US provides little relief. The \$2.23 trillion budget proposed by President Bush contains a \$307 billion deficit for 2004 as well as deficits as far as the eye can see. Chairman Greenspan has criticized the Bush stimulus package as being not necessary and has warned about the dangers of budget deficits. There is also a risk of a dis-orderly decline in the US dollar.

In November of 2002 in establishing the interest rate for budget purposes for the 2003/04 fiscal year a 40% probability was assigned to a potential economic slowdown in Canada that would result in interest rate cuts. This could be as a result of geopolitical events or general economic malaise. Staff reduced this probability somewhat and incorporated the March increase in rates by the Bank of Canada such that the budgeted interest rate was increased during the approval of the 2003/04 Budget. Staff continue to be confident that the resulting Investment Income budget is achievable.

### **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.

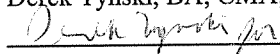
ALTERNATIVES

N/A

ATTACHMENTS

Sector Weight Schedules @ December 31, 2002 (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, Investment Analyst	490-6471
Approved by:	 Reg Ridgley, CGA, Manager, Strategic Capital Project Support	490-6475



**Total Investments**  
**Sector Weights**  
**December 31, 2002**

<u>Category Status</u>	<u>Cumulative</u> <u>Amount Invested</u> <u>@ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$152,347,615</b>	<b>79%</b>	<b>\$192,847,522</b>	<b>100%</b>	<b>\$40,499,907</b>	<b>21%</b>
Federal Government	Open	\$69,792,160	36%				
Business Development Bank	Open	\$30,656,010	16%				
Canada Mortgage & Housing Corp.	Open	\$2,468,875	1%				
Canadian Wheat Board	Open	\$45,458,290	24%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$3,972,280	2%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$17,811,450</b>	<b>9%</b>	<b>\$192,847,522</b>	<b>100%</b>	<b>\$175,036,072</b>	<b>91%</b>
Alberta (R-1 High)	Open			\$48,211,880	25%	\$48,211,880	25%
Alberta Municipal Finance Corp (R-1 High)	Open	\$0		\$48,211,880	25%	\$48,211,880	25%
Alberta Treasury Branches (R-1 High)	Open			\$48,211,880	25%	\$48,211,880	25%
British Columbia (R-1 Mid)	Open			\$48,211,880	25%	\$48,211,880	25%
Manitoba (R-1 Low)	Closed			\$48,211,880	25%	\$48,211,880	25%
New Brunswick (R-1 Low)	Closed			\$48,211,880	25%	\$48,211,880	25%
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$48,211,880	25%	\$48,211,880	25%
Nova Scotia (R-1 Low)	Closed			\$48,211,880	25%	\$48,211,880	25%
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$48,211,880	25%	\$48,211,880	25%
Ontario (R-1 Mid)	Open	\$17,811,450	9%	\$48,211,880	25%	\$30,400,430	16%
Prince Edward Island (R-1 Low)	Closed			\$48,211,880	25%	\$48,211,880	25%
Quebec (R-1 Low)	Closed			\$48,211,880	25%	\$48,211,880	25%
Saskatchewan (R-1 Low)	Closed			\$48,211,880	25%	\$48,211,880	25%
<b>Municipal Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$48,211,880</b>	<b>25%</b>	<b>\$48,211,880</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$19,284,752	10%	\$19,284,752	10%
Edmonton (R-1 High)	Open			\$19,284,752	10%	\$19,284,752	10%
Winnipeg (R-1 Mid)	Open			\$19,284,752	10%	\$19,284,752	10%
<b>Financial Institutions &amp; their Guarantees</b>	<b>BA's Schedule A</b>						
<b>Canadian Banks R-1</b>	<b>Mid</b>	<b>\$22,627,872</b>	<b>12%</b>	<b>\$48,211,880</b>	<b>25%</b>	<b>\$25,584,008</b>	<b>13%</b>
Bank of Montreal (R-1 Mid)	Open	\$5,961,720	3%	\$19,284,752	10%	\$13,323,032	7%
Bank of Nova Scotia (R-1 Mid)	Open	\$3,974,880	2%	\$19,284,752	10%	\$15,309,872	8%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0		\$19,284,752	10%	\$19,284,752	10%
Laurentian Bank (R-1 Low)	Closed			\$19,284,752	10%	\$19,284,752	10%
National Bank of Canada (R-1 Low)	Closed			\$19,284,752	10%	\$19,284,752	10%
Royal Bank (R-1 Mid)	Open	\$0	7%	\$19,284,752	10%	\$6,593,480	3%
Royal Bank 1 Day BA		\$12,691,272					
Toronto Dominion (R-1 Mid)	Open			\$19,284,752	10%	\$19,284,752	10%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS INVESTMENTS</b>		<b>\$192,786,937</b>	<b>100%</b>	<b>\$192,847,522</b>	<b>100%</b>	<b>\$60,585</b>	<b>0%</b>
<b>FIXED (Bonds, etc., over one year)</b>							
<b>Federal Government &amp; its Guarantees</b>		<b>\$54,175</b>		<b>\$192,847,522</b>	<b>100%</b>	<b>\$192,793,347</b>	<b>100%</b>
Federal Government		\$54,175		\$192,847,522	100%	\$192,793,347	100%
<b>TOTAL FIXED</b>		<b>\$54,175</b>	<b>0%</b>	<b>\$192,847,522</b>	<b>100%</b>	<b>\$192,793,347</b>	<b>100%</b>
<b>EQUITIES</b>							
Bank of Montreal		\$6,410	0%	\$19,284,752	10%	\$19,278,343	10%
				\$3,856,950	2%	\$3,850,541	2%
<b>TOTAL EQUITIES</b>		<b>\$6,410</b>	<b>0%</b>	<b>\$19,284,752</b>	<b>2%</b>	<b>\$19,278,343</b>	<b>10%</b>
<b>TOTAL INVESTMENTS</b>		<b>\$192,847,522</b>	<b>100%</b>				
<b>Interest Bearing Bank Accounts O/S Cheque Coverage</b>		\$11,023,041					
<b>TOTAL INVESTMENTS &amp; O/S CHEQUE COVERAGE</b>		<b>\$203,870,563</b>					

**Operating Fund  
Sector Weights  
December 31, 2002**

**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>	
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$58,484,272</b>	<b>79%</b>	<b>\$74,008,403</b>	<b>100%</b>	<b>\$15,524,131</b>	<b>21%</b>
Federal Government	Open	\$26,792,304	36%				
Business Development Bank	Open	\$11,768,444	16%				
Canada Mortgage & Housing Corp.	Open	\$947,769	1%				
Canadian Wheat Board	Open	\$17,450,847	24%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$1,524,907	2%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$6,837,584</b>	<b>9%</b>	<b>\$74,008,403</b>	<b>100%</b>	<b>\$67,170,818</b>	<b>91%</b>
Alberta (R-1 High)	Open			\$18,502,101	25%	\$18,502,101	25%
Alberta Municipal Finance Corp (R-1 High)	Open	\$0		\$18,502,101	25%	\$18,502,101	25%
Alberta Treasury Branches (R-1 High)	Open			\$18,502,101	25%	\$18,502,101	25%
British Columbia (R-1 Mid)	Open			\$18,502,101	25%	\$18,502,101	25%
Manitoba (R-1 Low)	Closed			\$18,502,101	25%	\$18,502,101	25%
New Brunswick (R-1 Low)	Closed			\$18,502,101	25%	\$18,502,101	25%
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$18,502,101	25%	\$18,502,101	25%
Nova Scotia (R-1 Low)	Closed			\$18,502,101	25%	\$18,502,101	25%
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$18,502,101	25%	\$18,502,101	25%
Ontario (R-1 Mid)	Open	\$6,837,584	9%	\$18,502,101	25%	\$11,664,516	16%
Prince Edward Island (R-1 Low)	Closed			\$18,502,101	25%	\$18,502,101	25%
Quebec (R-1 Low)	Closed			\$18,502,101	25%	\$18,502,101	25%
Saskatchewan (R-1 Low)	Closed			\$18,502,101	25%	\$18,502,101	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$18,502,101</b>	<b>25%</b>	<b>\$18,502,101</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$7,400,840	10%	\$7,400,840	10%
Edmonton (R-1 High)	Open			\$7,400,840	10%	\$7,400,840	10%
Winnipeg (R-1 Mid)	Open			\$7,400,840	10%	\$7,400,840	10%
<b>BA's Schedule A</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Canadian Banks R-1 Mid</b>	<b>\$8,686,546</b>	<b>12%</b>	<b>\$18,502,101</b>	<b>25%</b>	<b>\$9,815,554</b>	<b>13%</b>
Bank of Montreal (R-1 Mid)	Open	\$2,288,627	3%	\$7,400,840	10%	\$5,112,213	7%
Bank of Nova Scotia (R-1 Mid)	Open	\$1,525,905	2%	\$7,400,840	10%	\$5,874,935	8%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0		\$7,400,840	10%	\$7,400,840	10%
Laurentian Bank (R-1 Low)	Closed			\$7,400,840	10%	\$7,400,840	10%
National Bank of Canada (R-1 Low)	Closed			\$7,400,840	10%	\$7,400,840	10%
Royal Bank (R-1 Mid)	Open	\$0	7%	\$7,400,840	10%	\$2,528,826	3%
Royal Bank 1 Day BA		\$4,872,015			10%		
Toronto Dominion (R-1 Mid)	Open			\$7,400,840	10%	\$7,400,840	10%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS INVESTMENTS</b>		<b>\$74,008,403</b>	<b>100%</b>				
FIXED (Bonds, etc. over one year)	Nil						
<b>Total Investments</b>		<b>\$74,008,403</b>	<b>100%</b>				
<b>Interest Bearing Bank Accounts - O/S Cheque Coverage</b>		<b>\$11,023,041</b>	<b>*</b>				
<b>TOTAL INVESTMENTS &amp; O/S CHEQUE COVERAGE</b>		<b>\$85,031,444</b>					

\* Cheques O/S Over \$50,000

\$11,023,041

**Capital Fund  
Sector Weights  
December 31, 2002**

Schedule C

<u>Category</u>	<u>Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>100%</b>	<b>\$0</b>	<b>0%</b>
Federal Government	Open	\$0	0%				
Business Development Bank	Open	\$0	0%				
Canada Mortgage & Housing Corp.	Open	\$0	0%				
Canadian Wheat Board	Open	\$0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>100%</b>	<b>\$0</b>	<b>0%</b>
Alberta (R-1 High)	Open			\$29,026,920	25%	\$29,026,920	25%
Alberta Municipal Finance Corp (R-1 High)	Open	\$0		\$29,026,920	25%	\$29,026,920	25%
Alberta Treasury Branches (R-1 High)	Open			\$29,026,920	25%	\$29,026,920	25%
British Columbia (R-1 Mid)	Open			\$29,026,920	25%	\$29,026,920	25%
Manitoba (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
New Brunswick (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Nova Scotia (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Ontario (R-1 Mid)	Open	\$0	0%	\$29,026,920	25%	\$29,026,920	25%
Prince Edward Island (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Quebec (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Saskatchewan (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$0</b>	<b>25%</b>	<b>\$0</b>	<b>0%</b>
Calgary (R-1 Mid)	Open			\$11,610,768	10%	\$11,610,768	10%
Edmonton (R-1 High)	Open			\$11,610,768	10%	\$11,610,768	10%
Winnipeg (R-1 Mid)	Open			\$11,610,768	10%	\$11,610,768	10%
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>\$0</b>	<b>0%</b>	<b>\$0</b>	<b>25%</b>	<b>\$0</b>	<b>0%</b>
Bank of Montreal (R-1 Mid)	Open	\$0	0%	\$11,610,768	10%	\$11,610,768	10%
Bank of Nova Scotia (R-1 Mid)	Open	\$0	0%	\$11,610,768	10%	\$11,610,768	10%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0		\$11,610,768	10%	\$11,610,768	10%
Laurentian Bank (R-1 Low)	Closed			\$11,610,768	10%	\$11,610,768	
National Bank of Canada (R-1 Low)	Closed			\$11,610,768	10%	\$11,610,768	
Royal Bank (R-1 Mid)	Open	\$0 }	0%	\$11,610,768	10%	\$11,610,768	10%
Royal Bank 1 Day BA		\$0 }			10%		
Toronto Dominion (R-1 Mid)	Open			\$11,610,768	10%	\$11,610,768	10%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Nil						
<b>TOTAL INVESTMENTS</b>		<b>\$0</b>	<b>0%</b>				

**Reserve Funds  
Sector Weights  
December 31, 2002**

Schedule D

<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							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$91,752,733</b>	<b>79%</b>	<b>\$116,107,681</b>	<b>100%</b>	<b>\$24,354,948</b>	<b>21%</b>
Federal Government	Open	\$42,032,961	36%				
Business Development Bank	Open	\$18,462,860	16%				
Canada Mortgage & Housing Corp.	Open	\$1,486,902	1%				
Canadian Wheat Board	Open	\$27,377,667	24%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$2,392,342	2%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$10,727,107</b>	<b>9%</b>	<b>\$116,107,681</b>	<b>100%</b>	<b>\$105,380,574</b>	<b>91%</b>
Alberta (R-1 High)	Open			\$29,026,920	25%	\$29,026,920	25%
Alberta Municipal Finance Corp (R-1 High)	Open	\$0		\$29,026,920	25%	\$29,026,920	25%
Alberta Treasury Branches (R-1 High)	Open			\$29,026,920	25%	\$29,026,920	25%
British Columbia (R-1 Mid)	Open			\$29,026,920	25%	\$29,026,920	
Manitoba (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
New Brunswick (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
New Brunswick Municipal Finance Corp (R-1 Lc)	Closed			\$29,026,920	25%	\$29,026,920	
Nova Scotia (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Ontario (R-1 Mid)	Open	\$10,727,107	9%	\$29,026,920	25%	\$18,299,813	16%
Prince Edward Island (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Quebec (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
Saskatchewan (R-1 Low)	Closed			\$29,026,920	25%	\$29,026,920	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$29,026,920</b>	<b>25%</b>	<b>\$29,026,920</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$11,610,768	10%	\$11,610,768	10%
Edmonton (R-1 High)	Open			\$11,610,768	10%	\$11,610,768	10%
Winnipeg (R-1 Mid)	Open			\$11,610,768	10%	\$11,610,768	10%
<b>Financial Institutions &amp; their Guarantees</b>	<b>BA's Schedule A Canadian Banks R-1 Mid</b>	<b>\$13,627,841</b>	<b>12%</b>	<b>\$29,026,920</b>	<b>25%</b>	<b>\$15,399,079</b>	<b>13%</b>
Bank of Montreal (R-1 Mid)	Open	\$3,590,500	3%	\$11,610,768	10%	\$8,020,268	7%
Bank of Nova Scotia (R-1 Mid)	Open	\$2,393,908	2%	\$11,610,768	10%	\$9,216,861	8%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$0		\$11,610,768	10%	\$11,610,768	10%
Laurentian Bank (R-1 Low)	Closed			\$11,610,768	10%	\$11,610,768	
National Bank of Canada (R-1 Low)	Closed			\$11,610,768	10%	\$11,610,768	
Royal Bank (R-1 Mid)	Open	\$0 }	7%	\$11,610,768	10%	\$3,967,334	3%
Royal Bank 1 Day BA		\$7,643,434 }					
Toronto Dominion (R-1 Mid)	Open			\$11,610,768	10%	\$11,610,768	10%
Corporations & their Guarantees	Closed						
<b>TOTAL CASH &amp; EQUIVALENTS INVESTMENTS</b>		<b>\$116,107,681</b>	<b>100%</b>				
FIXED (Bonds, etc. over one year)	Nil						
<b>TOTAL INVESTMENTS</b>		<b>\$116,107,681</b>	<b>100%</b>				

**Trust Funds  
Sector Weights  
December 31, 2002**

**Schedule E**

<u>Catagory Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
<b>CASH &amp; EQUIVALENTS</b>						
<b>Federal Government &amp; its Guarantees</b>	<b>\$2,110,610</b>	<b>77%</b>	<b>\$2,731,437</b>	<b>100%</b>	<b>\$620,827</b>	<b>23%</b>
Open	\$966,894	35%				
Federal Government	\$424,706	16%				
Open						
Business Development Bank	\$34,204	1%				
Open						
Canada Mortgage & Housing Corp.	\$629,775	23%				
Open						
Canadian Wheat Board						
Open						
Export Development Canada						
Open	\$55,032	2%				
Farm Credit Corp						
<b>Provincial Governments &amp; their Guarantees</b>	<b>\$246,758</b>	<b>9%</b>	<b>\$2,731,437</b>	<b>100%</b>	<b>\$2,484,679</b>	<b>91%</b>
<b>R-1 Mid or Greater</b>			\$682,859	25%	\$682,859	25%
Open						
Alberta (R-1 High)	\$0		\$682,859	25%	\$682,859	25%
Open						
Alberta Municipal Finance Corp (R-1 High)			\$682,859	25%	\$682,859	25%
Open						
Alberta Treasury Branches (R-1 High)			\$682,859	25%	\$682,859	25%
Open						
British Columbia (R-1 Mid)			\$682,859	25%	\$682,859	
Open						
Manitoba (R-1 Low)			\$682,859	25%	\$682,859	
Closed						
New Brunswick (R-1 Low)			\$682,859	25%	\$682,859	
Closed						
New Brunswick Municipal Finance Corp (R-1 Low)			\$682,859	25%	\$682,859	
Closed						
Nova Scotia (R-1 Low)			\$682,859	25%	\$682,859	
Closed						
Nova Scotia Municipal Finance Corp (R-1 Low)			\$682,859	25%	\$436,101	16%
Closed	\$246,758	9%				
Ontario (R-1 Mid)			\$682,859	25%	\$682,859	
Open						
Prince Edward Island (R-1 Low)			\$682,859	25%	\$682,859	
Closed						
Quebec (R-1 Low)			\$682,859	25%	\$682,859	
Closed						
Saskatchewan (R-1 Low)						
Closed						
<b>Municipal Governments &amp; their Guarantees*</b>	<b>\$0</b>		<b>\$682,859</b>	<b>25%</b>	<b>\$682,859</b>	<b>25%</b>
<b>R-1 Mid or Greater</b>			\$273,144	10%	\$273,144	10%
Open						
Calgary (R-1 Mid)			\$273,144	10%	\$273,144	10%
Open						
Edmonton (R-1 High)			\$273,144	10%	\$273,144	10%
Open						
Winnipeg (R-1 Mid)						
Open						
<b>Financial Institutions &amp; their Guarantees</b>			<b>\$313,485</b>	<b>11%</b>	<b>\$682,859</b>	<b>25%</b>
<b>BA's Schedule A</b>						
<b>Canadain Banks R-1</b>						
<b>Mid</b>			\$82,593	3%	\$273,144	10%
Open						
Bank of Montreal (R-1 Mid)			\$55,068	2%	\$273,144	10%
Open						
Bank of Nova Scotia (R-1 Mid)			\$0		\$273,144	10%
Open						
Canadian Imperial Bank of Commerce (R-1 Mid)					\$273,144	10%
Open						
Laurentian Bank (R-1 Low)					\$273,144	10%
Closed						
National Bank of Canada (R-1 Low)					\$273,144	10%
Closed						
Royal Bank (R-1 Mid)			\$0	6%	\$273,144	10%
Open						
Royal Bank 1 Day BA	\$175,824				\$273,144	10%
Open						
Toronto Dominion (R-1 Mid)					\$273,144	10%
Open						
Corporations & their Guarantees						
Closed						
<b>TOTAL CASH &amp; EQUIVALENTS</b>	<b>\$2,670,853</b>	<b>98%</b>	<b>\$2,731,437</b>	<b>100%</b>	<b>\$60,585</b>	<b>2%</b>
<b>FIXED (Bonds, etc. over one year)</b>						
<b>Federal Government &amp; its Guarantees</b>	<b>\$54,175</b>		<b>\$2,731,437</b>	<b>100%</b>	<b>\$2,677,262</b>	<b>98%</b>
Open						
Federal Government	\$54,175		\$2,731,437	100%	\$2,677,262	98%
<b>TOTAL FIXED</b>	<b>\$54,175</b>	<b>2%</b>	<b>\$2,731,437</b>	<b>100%</b>	<b>\$2,677,262</b>	<b>98%</b>
<b>EQUITIES</b>						
					\$273,144	10%
Bank of Montreal	\$6,410	0%	\$54,629	2%	\$48,219	2%
<b>TOTAL EQUITIES</b>	<b>\$6,410</b>	<b>0%</b>	<b>\$273,144</b>	<b>2%</b>	<b>\$266,734</b>	<b>10%</b>
<b>TOTAL INVESTMENTS</b>	<b>\$2,731,437</b>	<b>100%</b>				