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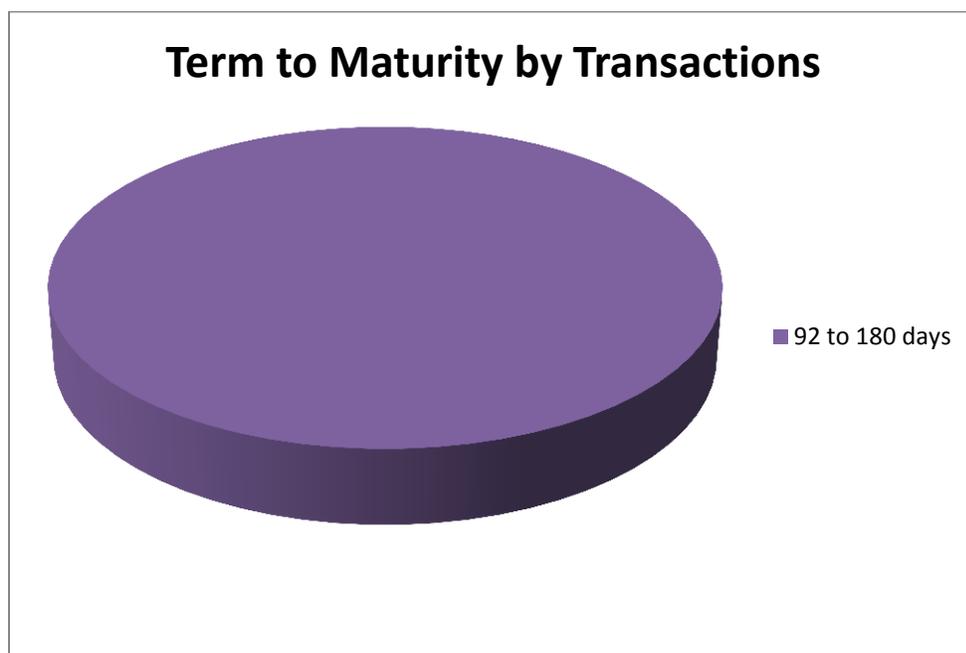
## MEMORANDUM

TO: Investment Policy Advisory Committee  
FROM: Renée Towns, Deputy Treasurer, Finance & Asset Management  
DATE: December 18, 2018  
SUBJECT: **Treasurer's Report Quarter Ending September 30, 2018**

### HRM Investment Activities

The quarter saw 2 money market investments made at a total cost of \$20,209,259 with an average term to maturity of 153 days and average individual investment cost of \$10,104,629. This compares to last year when 15 investments were made at a total cost of \$158,429,971 with an average term of 111 days and average individual investment cost of \$8,801,665. The predominant strategy is to allocate funds to the investment bank accounts and monthly rebalance the portfolio using government instruments to manage sector weights.

Funds held in the investment bank accounts, including term deposits, totaled \$241,085,450 by the end of the quarter. Incremental income over BA's and BDN's, using a rate of 1.75% as a proxy for the BA and BDN rates, was \$163,097 for the quarter.

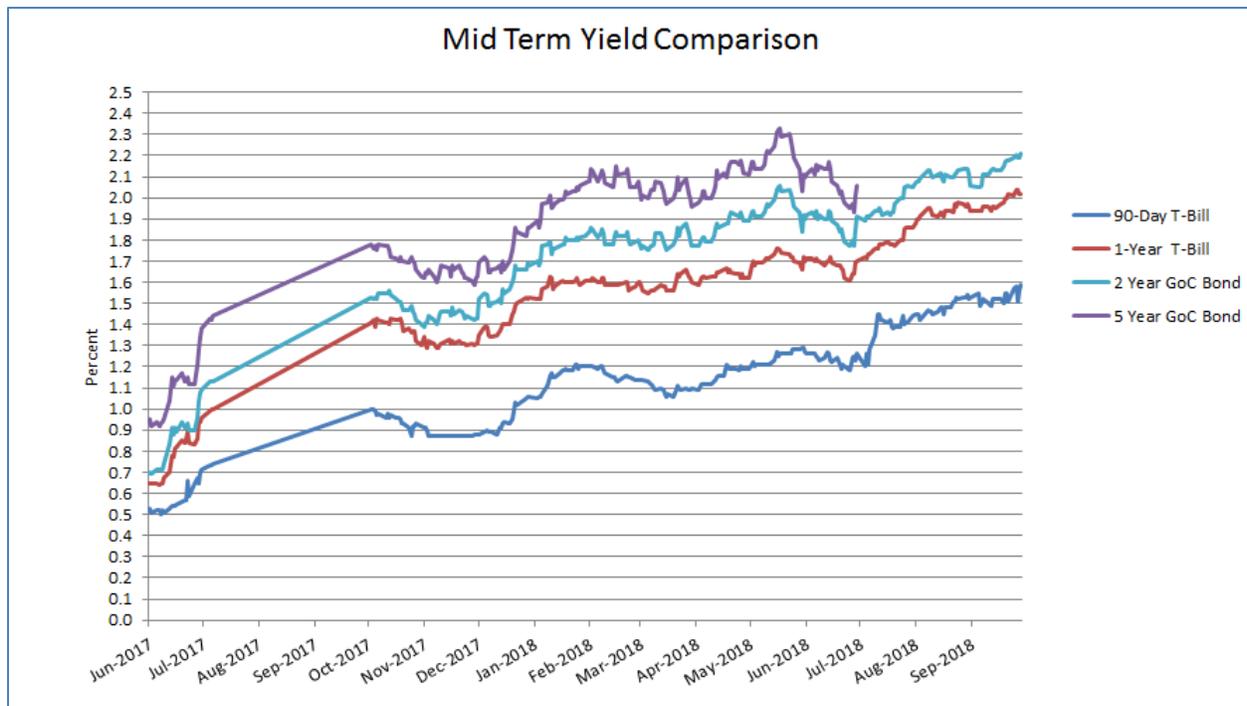


Operating fund investment income for the six months ending September 30, 2018 was \$1,692,682 versus a budget of \$1,600,000 due to higher cashflows. The actual rate of return matched the budgeted rate and was 0.50% for the period.

The cumulative incremental gross investment income from the 2007 policy change that expanded the non-government sector weight was \$3,315,880 or a \$181,288 increase during the quarter.

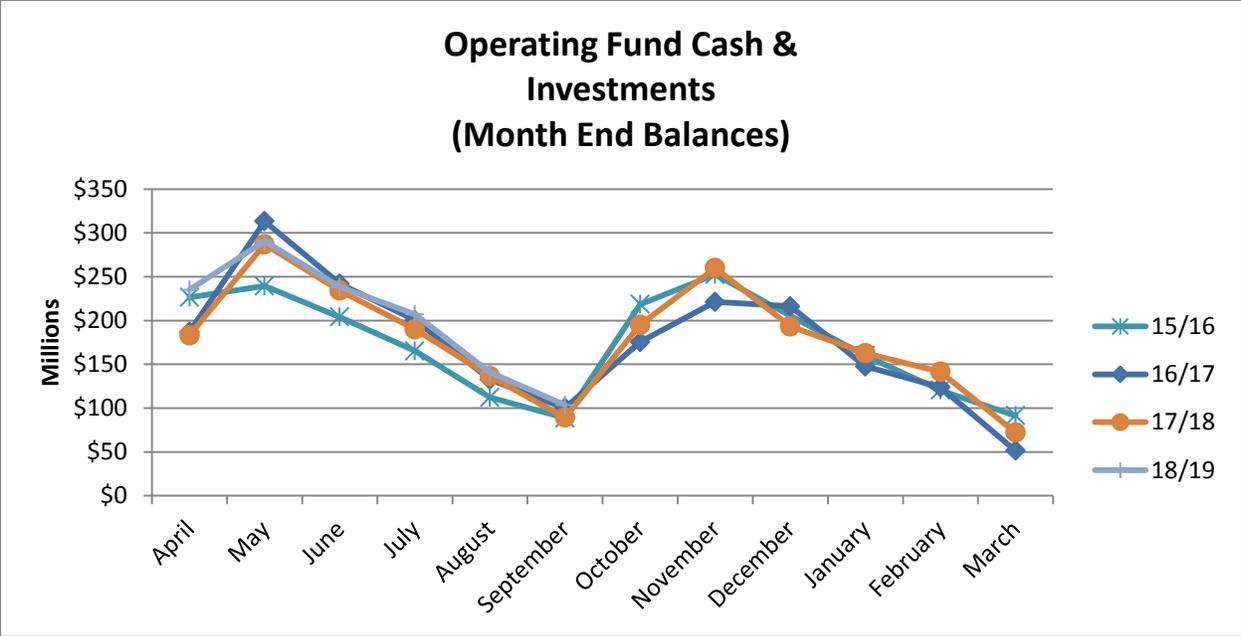
### HRM Short Term Bond Pool

There were no maturities in the bond pool during the quarter. At the end of the quarter the bond pool consisted of \$2,000,000 of bonds with a simple average yield of 2.58%. The bonds mature in December 2018. Staff will continue to look for opportunities to add to the bond portfolio.



### Cash Flows

Cash available for operating is \$14,000,000 higher than the previous year due mainly to the timing of funds received.



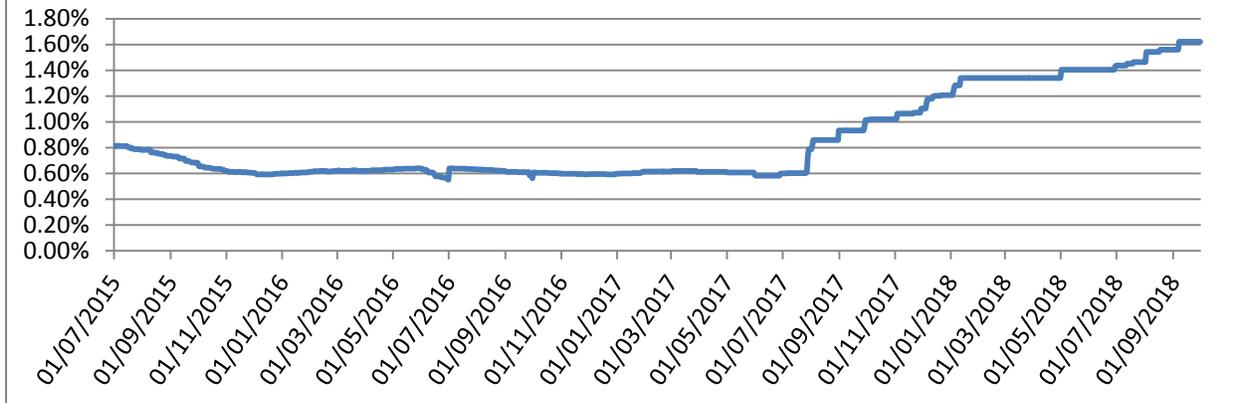
HRM Short Term (Money Market Pool) Investment Performance

Mercer has discontinued its Investment Consulting Survey of Canadian Institutional Pooled Funds. HRM had been using this survey to compare returns with the industry. We have been including the RBC survey as well for quite some time and it is very similar to the Mercer Survey. Please see the table below with the results using the RBC Survey.

Money Market Funds	3 Months (to Sept 30, 2018)	1 Year (to Sept 30, 2018)
5 <sup>th</sup> Percentile	0.46%	1.64%
1 <sup>st</sup> Quartile	0.43%	1.51%
Money Market Median	0.40%	1.36%
3 <sup>rd</sup> Quartile	0.38%	1.28%
95 <sup>th</sup> Percentile	0.27%	1.03%
<b>HRM</b>	<b>0.50%</b>	<b>1.73%</b>

Relative performance was again quite positive; the 3 month and one year returns were over the 5<sup>th</sup> percentile. These returns are before any allowance for fees that could be paid for external management. The investment bank accounts continue to be largely responsible for this relative performance.

## RoR on Government Portion of Money Market Investments



### Subsequent to End of Reporting Quarter

On October 24, 2018 the Bank of Canada raised its target for the overnight rate from 1.50% to 1.75%. On November 8, 2018 the Federal Open Market Committee maintained its target range for the federal funds rate at 2.00%-2.25%. On December 5, 2018 the Bank of Canada maintained its target for the overnight rate at 1.75%.

### Outlook & Strategy

The investment bank accounts, which are for the most part linked to the commercial bank prime rates, are continuing to provide better returns than are available from BA's and government instruments.

The dominant strategy will again be to maximize returns from the investment bank accounts, keeping in mind that their liquidity adds a safety factor, while looking for opportunities in the government half of the portfolio.

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### Finance & Asset Management

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## **Policy Compliance**

### Objectives:

Preservation of Capital - There was no loss of capital during the quarter.

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%.

Competitive Return on Investments - The rate of return was above the 5<sup>th</sup> percentile for the quarter ending September 30, 2018 before allowing for fees that could have been paid to an external management firm. As a result, staff maintains that the rate of return objective of the Investment Policy has been met.

### Strategies:

Diversification of Investment Portfolio - Staff believe that diversification has been adequately maintained under the constraints of the Policy.

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

Risk Management Approach - In implementing investment decisions staff seek a balance between the objectives of the Investment Policy and the risks inherent in markets to look to achieve an optimal rate of return.

Staff invites any feedback the members of the Committee may have on both the content and format of this report.

Renée Towns, CPA, CGA, CTP  
Deputy Treasurer

# Appendix A

Economic Statistics	Canada			US		
	Jul	Aug	Sept	Jul	Aug	Sept
Unemployment Rate	5.8%	6.0%	5.9%	3.9%	3.9%	3.7%
Jobs Created / (Lost) ('000's)	54	(52)	63	165	286	118
CPI (year over year)	3.0%	2.8%	2.2%	2.9%	2.7%	2.3%
CPI-X (Core) (year over year)	1.6%	1.7%	1.5%	2.4%	2.2%	2.2%
GDP (annualized)	Q3: 2.9%			Q3: 4.2%		

Date	Central Bank	Central Bank Action
Jan 17, 2018	Bank of Canada	Raised overnight rate to 1.25%.
Jan 31, 2018	U.S. Federal Open Market Committee	Maintain target range of 1.25%-1.50%.
Mar 7, 2018	Bank of Canada	Maintained overnight rate at 1.25%.
Mar 21, 2018	U.S. Federal Open Market Committee	Raised target range to 1.50%-1.75%.
Apr 18, 2018	Bank of Canada	Maintained overnight rate at 1.25%.
May 2, 2018	U.S. Federal Open Market Committee	Maintain target range of 1.50%-1.75%.
May 30, 2018	Bank of Canada	Maintained overnight rate at 1.25%.
Jun 13, 2018	U.S. Federal Open Market Committee	Raised target range to 1.75%-2.00%.
July 11, 2018	Bank of Canada	Raised overnight rate to 1.50%.
Aug 1, 2018	U.S. Federal Open Market Committee	Maintained target range at 1.75%-2.00%.
Sept 5, 2018	Bank of Canada	Maintained overnight rate at 1.50%.
Sept 26, 2018	U.S. Federal Open Market Committee	Raised target range to 2.00%-2.25%.
Oct 24, 2018	Bank of Canada	Raised overnight rate to 1.75%.
Nov 8, 2018	U.S. Federal Open Market Committee	Maintain target range of 2.00%-2.25%.
Dec 5, 2018	Bank of Canada	Maintained overnight rate at 1.75%.
<i>Dec 19, 2018</i>	<i>U.S. Federal Open Market Committee</i>	

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## Finance & Asset Management

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