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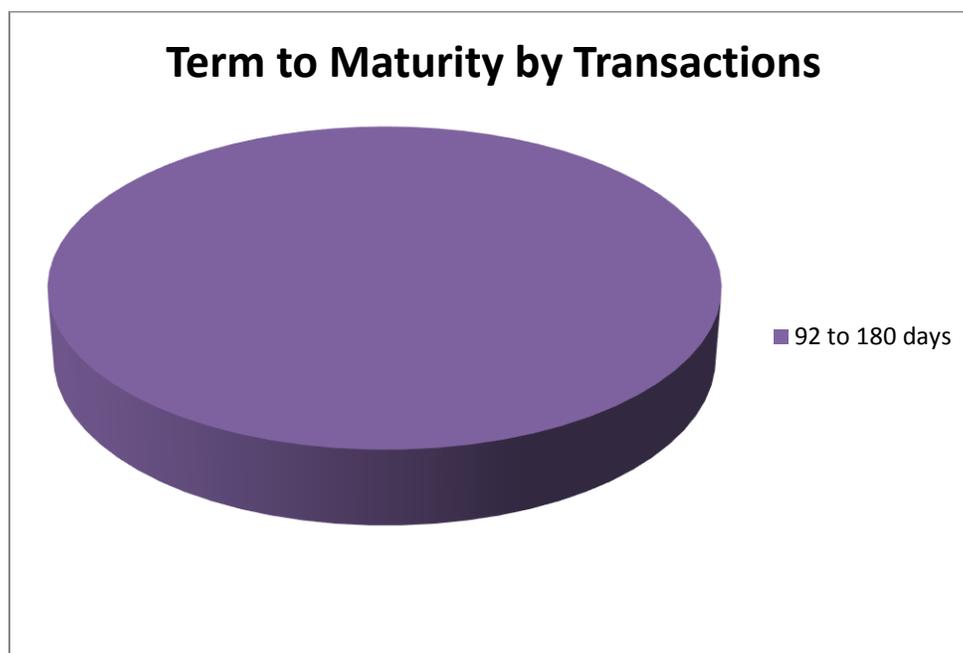
## MEMORANDUM

TO: Investment Policy Advisory Committee  
FROM: Vicki Robertson Deputy Treasurer, Finance & Asset Management  
DATE: February 22, 2019  
SUBJECT: **Treasurer's Report Quarter Ending December 31, 2018**

### HRM Investment Activities

The quarter saw 4 money market investments made at a total cost of \$101,449,461 with an average term to maturity of 153 days and average individual investment cost of \$25,362,365. This compares to last year when 2 investments were made at a total cost of \$51,542,140 with an average term of 245 days and average individual investment cost of \$25,771,070. The predominant strategy is to allocate funds to the investment bank accounts and rebalance the portfolio using government instruments to manage sector weights.

Funds held in the investment bank accounts, including term deposits, totaled \$330,508,525 by the end of the quarter. Incremental income over BA's and BDN's, using a rate of 2.04% as a proxy for the BA and BDN rates, was \$155,971 for the quarter.

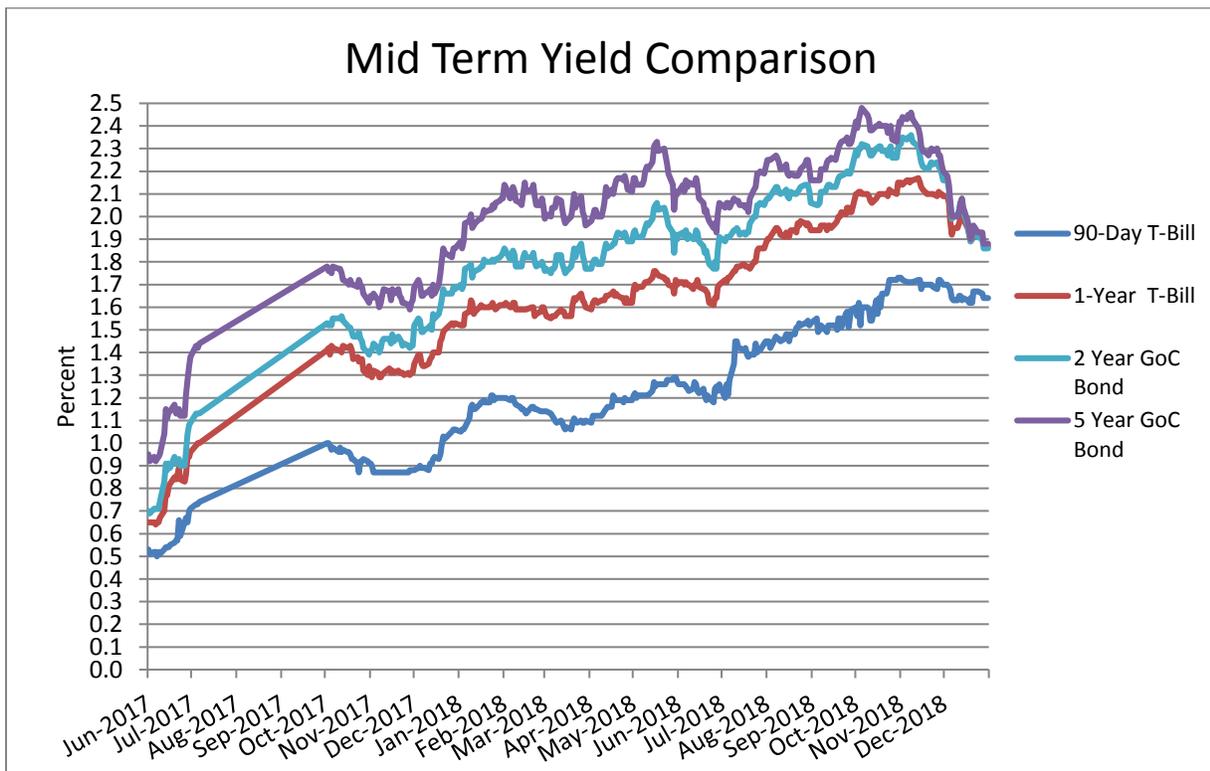


Operating fund investment income for the nine months ending December 31, 2018 was on target at \$2,943,989 versus a forecasted amount of \$3,000,000.

The cumulative incremental gross investment income from the 2007 policy change that expanded the non-government sector weight was \$3,435,019 or a \$119,139 increase during the quarter.

### HRM Short Term Bond Pool

There were two bond maturities in the bond pool during the quarter and there are no bonds left in the portfolio. Staff will continue to look for opportunities to add to the bond portfolio.

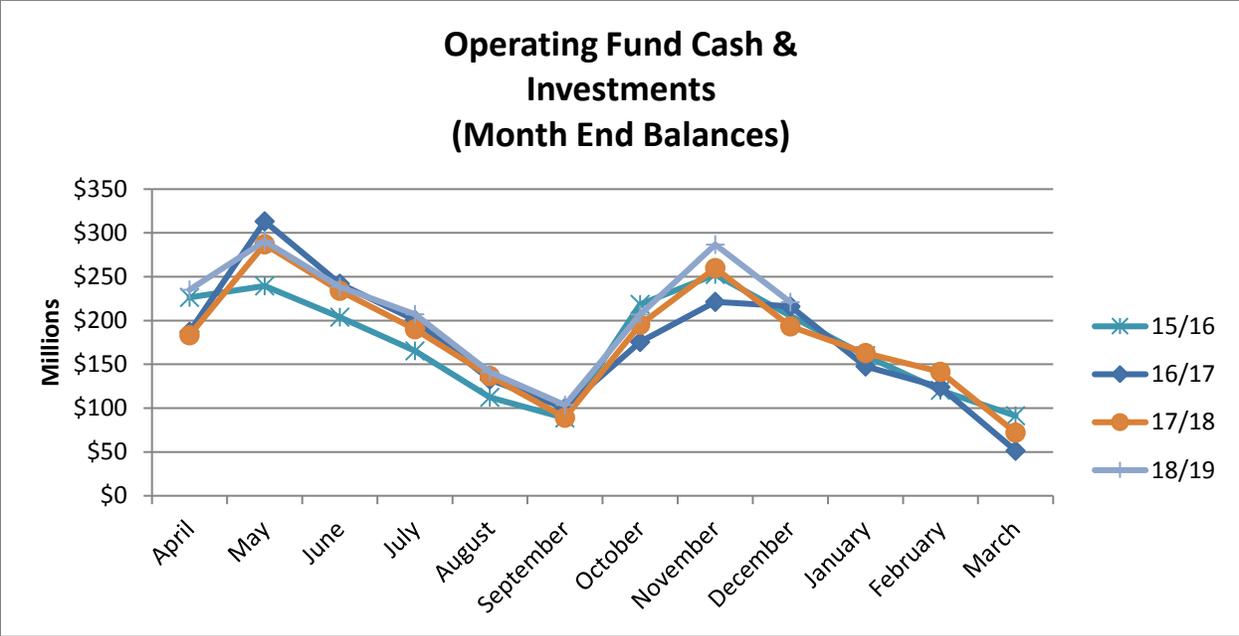


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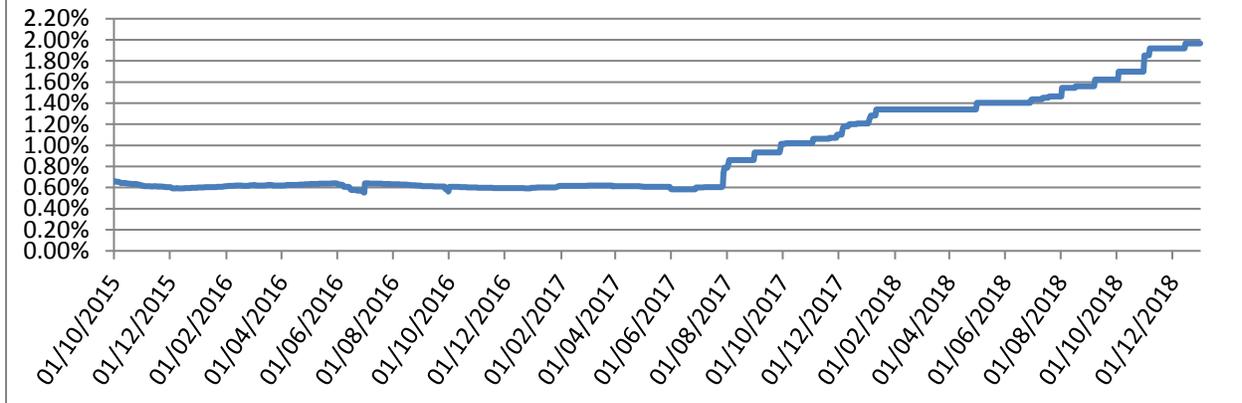
HRM Short Term (Money Market Pool) Investment Performance

As reported previously, Mercer has discontinued its Investment Consulting Survey of Canadian Institutional Pooled Funds. HRM had been using this survey to compare its investment 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 Dec 31, 2018)	1 Year (to Dec 31, 2018)
5 <sup>th</sup> Percentile	0.53%	1.82%
1 <sup>st</sup> Quartile	0.49%	1.69%
Money Market Median	0.47%	1.57%
3 <sup>rd</sup> Quartile	0.45%	1.50%
95 <sup>th</sup> Percentile	0.39%	1.23%
<b>HRM</b>	<b>0.57%</b>	<b>1.93%</b>

Relative performance continues to be positive as we note the 3 month and one year returns exceed 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 remain largely responsible for this relative performance.

## RoR on Government Portion of Money Market Investments



### Subsequent to End of Reporting Quarter

Both the Bank of Canada and the Federal Reserve have maintained their respective key rates. Current guidance in Canada suggests there will be little variation in the overnight rate for 2019, but leaves room for a small increase in Q3.

### Outlook & Strategy

The investment bank accounts continue to provide effective rates of return when compared to instruments with similar risk. Specifically, these accounts 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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## **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.

Competitive Return on Investments - The rate of return was again in the 5<sup>th</sup> percentile for the quarter ending December 31, 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.

Vicki Robertson, CPA, CGA  
Deputy Treasurer

# Appendix A

Economic Statistics	Canada			US		
	Oct	Nov	Dec	Oct	Nov	Dec
Unemployment Rate	5.7%	5.6%	5.6%	3.8%	3.7%	3.9%
Jobs Created / (Lost) ('000's)	11	94	9	277	196	222
CPI (year over year)	2.4%	1.7%	2.0%	2.5%	2.2%	1.9%
CPI-X (Core) (year over year)	1.6%	1.5%	1.7%	2.1%	2.2%	2.2%
GDP (annualized)	Q3: 1.9%			Q3: 3.0%		

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	Maintained target range of 2.00%-2.25%.
Dec 5, 2018	Bank of Canada	Maintained overnight rate at 1.75%.
Dec 19, 2018	U.S. Federal Open Market Committee	Raised target range to 2.25% - 2.5%

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