

Items 8.1 & 8.2

HALIFAX

Investment Policy Advisory Committee

December 7, 2020

Investment Policy Objectives

- **Preservation of Capital**
 - Ensure there is no loss of capital
- **Liquidity**
 - Ensure sufficient cash is available to meet requirements
- **Competitive Return on Investments**
 - Achieve a rate of return on investments that exceeds the benchmark, which is the median of a pooled set of money market funds

Quarterly Treasurer's Report

- **Provides an overview of investing activities and results**
 - Results are segregated by the two sectors in which we invest: Government and Financial Institutions
- **Compares results to relevant benchmarks**
- **Provides high-level view of outlook**
 - Focus in on Bank of Canada overnight rate as it drives most of our returns

Counterparties and Limits

- The Investment Policy also lists the counterparties in which we can invest based on their credit quality
 - Each province can have a maximum of 25% of portfolio at re-balance
 - Provinces must be R1-High or R1-Mid
 - The portfolio limit for Government sector is 100%
- Schedule 1 Banks are also on the counterparty list if they are R1-High or R1-Mid
 - Maximum R1-High of portfolio at re-balance is 20%
 - Maximum R1-Mid of portfolio at re-balance is 15%
 - The portfolio limit for Financial sector is 50%

Portfolio as at September 30

Provincial Governments & their Guarantees	R-1 Mid or Greater	47,855,866
Total Alberta (R-1 High)	Open	5,305,824
Alberta (R-1 High)	Open	5,305,824
Alberta Capital Finance Authority (R-1 High)	Open	0
Alberta Treasury Branches (R-1 High)	Open	0
British Columbia (R-1 High)	Open	0
Manitoba (R-1 Mid)	Open	0
New Brunswick (R-1 Mid)	Open	0
Nova Scotia (R-1 Mid)	Open	0
Ontario (R-1 Mid)	Open	9,824,600
Quebec (R-1 Mid)	Open	32,725,442
Quebec		32,725,442
Financement Quebec		0
Hydro Quebec		0
Saskatchewan (R-1 High)	Open	0
Municipal Governments & their Guarantees*	R-1 Mid or Greater	0
Calgary (R-1 High)	Open	0
Financial Institutions & their Guarantees /Corporations		412,908,481
	BA's Schedule A	
	Canadian Banks R-1	
Tier 1 - Financial Institutions & their Guarantees	Mid	412,763,768
Bank of Montreal (R-1 High)	Open	99,997,985
BMO - Instruments		0
BMO - Account		99,997,985
Bank of Nova Scotia (R-1 High)	Open	14,449,768
Bank of Nova Scotia Effective Cash		4,449,768
Bank of Nova Scotia - Notice Account		10,000,000
Canadian Imperial Bank of Commerce (R-1 High)	Open	113,968,069
CIBC - Instruments		0
CIBC - Account		113,968,069
Royal Bank (R-1 High)	Open	114,272,465
RBC - Instruments		0
RBC - Account		114,272,465
Toronto Dominion (R-1 High)	Open	70,075,480
TD - Instruments		0
TD - Account		70,075,480

Investment in Gov't
of Alberta – Prom
Note

Investment in CIBC -
HISA

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Treasurer's Report

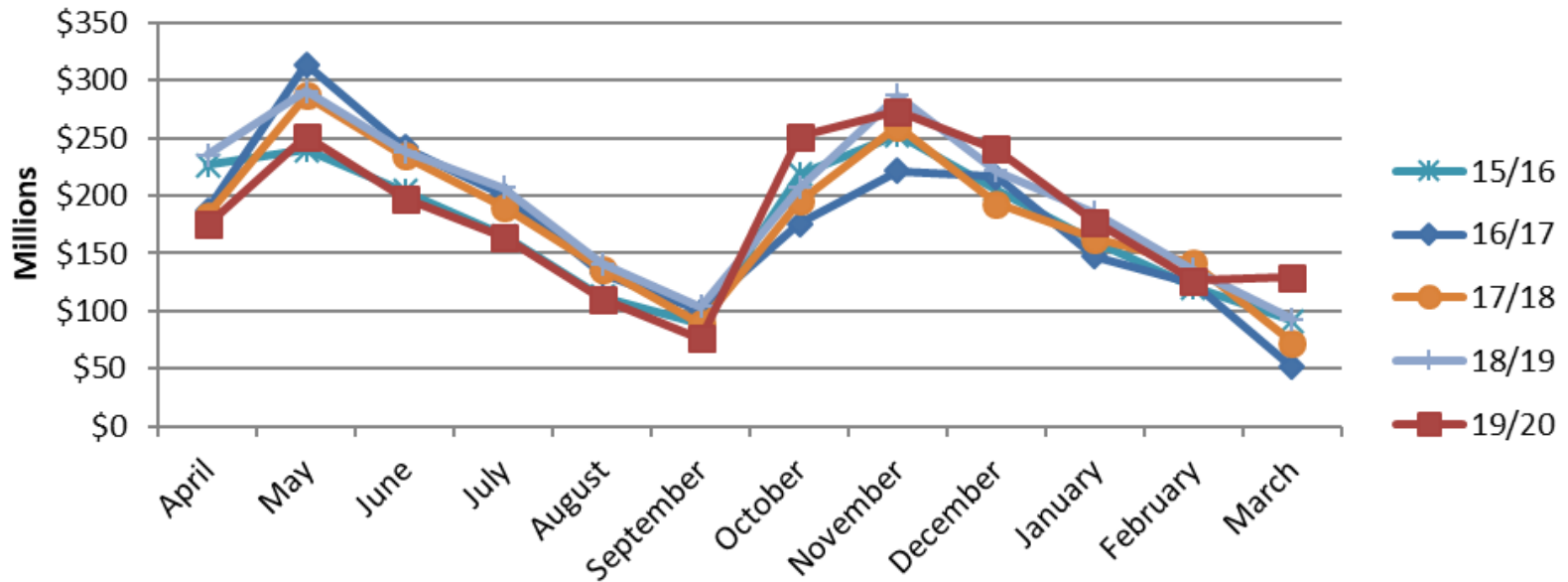
Quarter ending March 31, 2020

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Investing Activities

- No money market investments made in the quarter
- Similar to same period in 2019
 - Carried six investments into quarter for a total value of \$121.5 MM
 - Average cost was \$20.2 MM and original term of 362 days
- Operating fund investment income was \$856,430 versus projection of \$620,000
- Rate of return was 0.53% versus projected of 0.49%

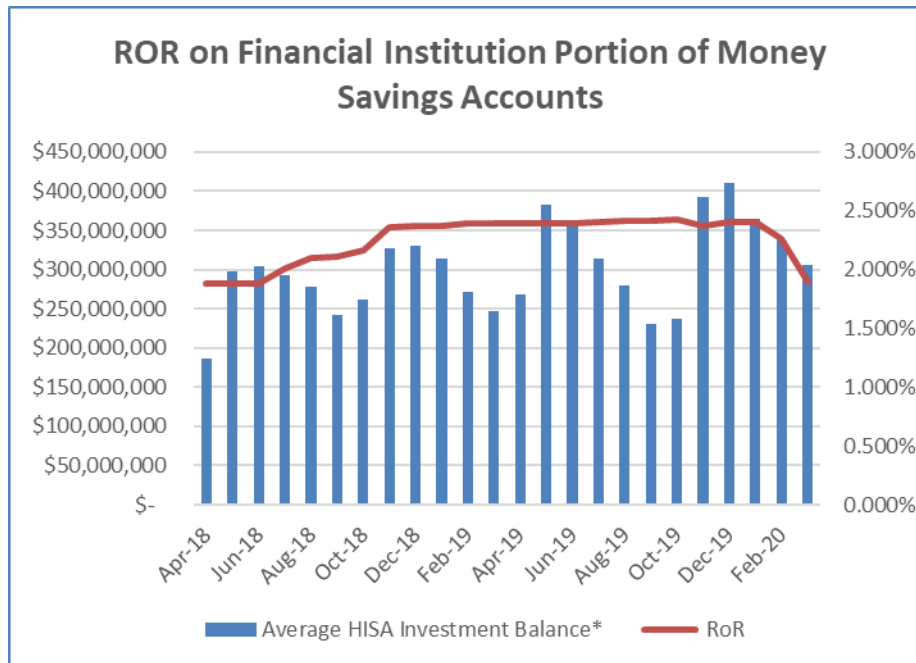
Operating Fund Cash & Investments (Month End Balances)



- Operating cash balance remains relatively consistent year-over-year for past 5 years
- Slight increase in March balance due to lowered expenditures as COVID protocols put into place

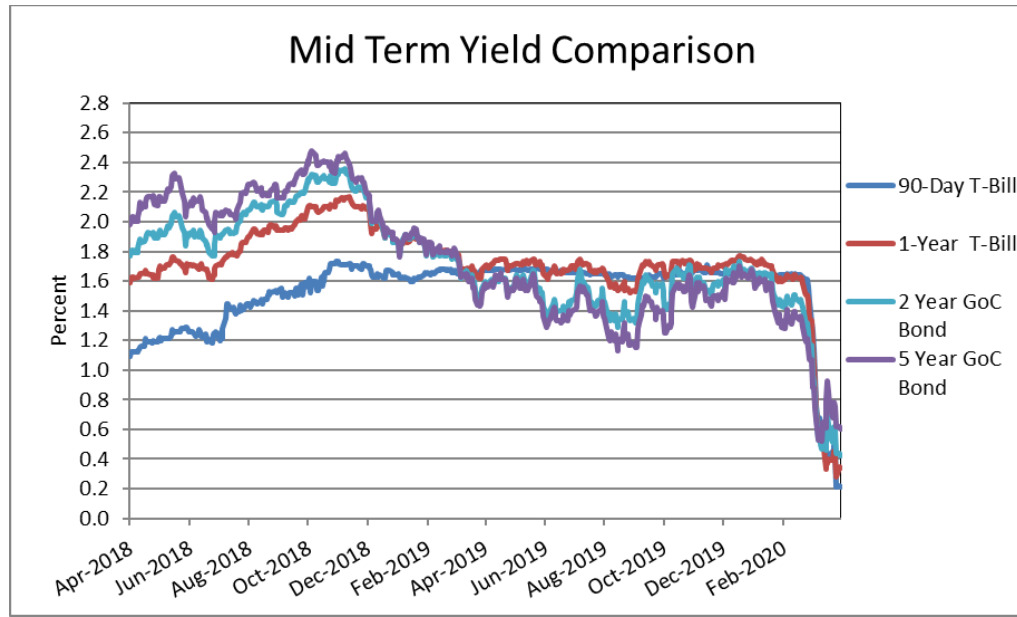
HRM Investment Accounts

- Investments in high-interest savings accounts (HISA) was \$303.3 MM at quarter-end
- Income exceeded BA's by \$481,500 for the entire portfolio using 1.65% as the three-month proxy for BA and BDN rates
- Quarterly return was 0.55% and the 12 month return was 2.36%



The bank's prime rates fell three times in March for a total retreat of 150 bps

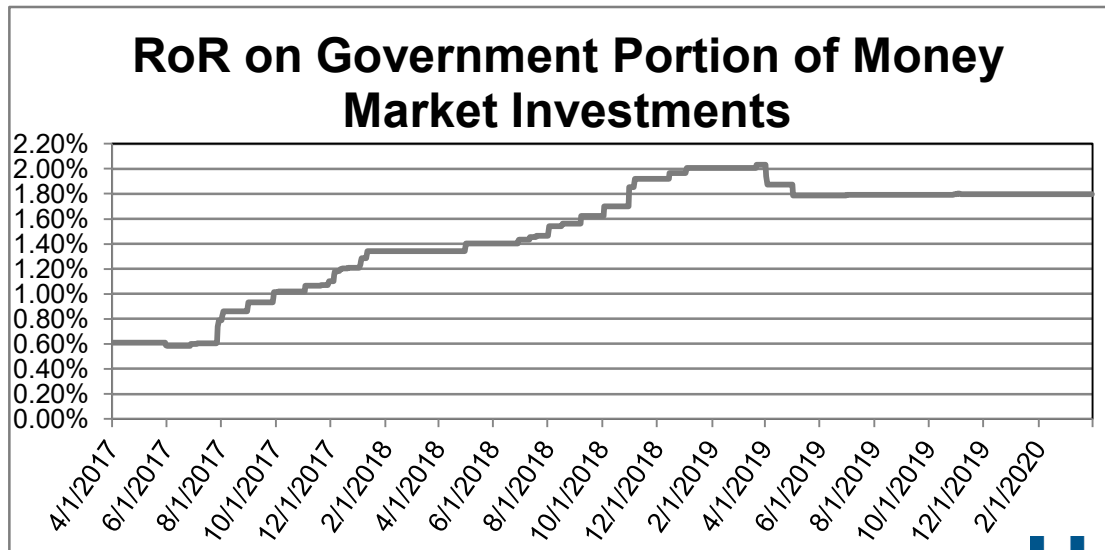
Government Sector Performance



- Drastic decrease in rates as we move into 2020
- Impacts of the global pandemic were starting to be felt in the market as early as January, and fully priced by the end of March.

Money Market Performance

- For the quarter, the rate of return remained steady at 0.45% for the money market investments
- Annual return to March 31st was 1.81%
- In comparison, average return of a one-year t-bill for the quarter was 1.26%
- The average term to maturity is 362 days
- One maturity late in the quarter reduced portfolio to \$87.1 MM



Overall Results

- Overall, our return for the quarter was 0.53%
 - Exceeded the median (0.44%) and also the 1st quartile
- One-year return was 2.23%
 - Exceeded the medial (1.81%) and the 5th percentile
- Investment bank accounts are largely responsible for this performance

Treasurer's Report

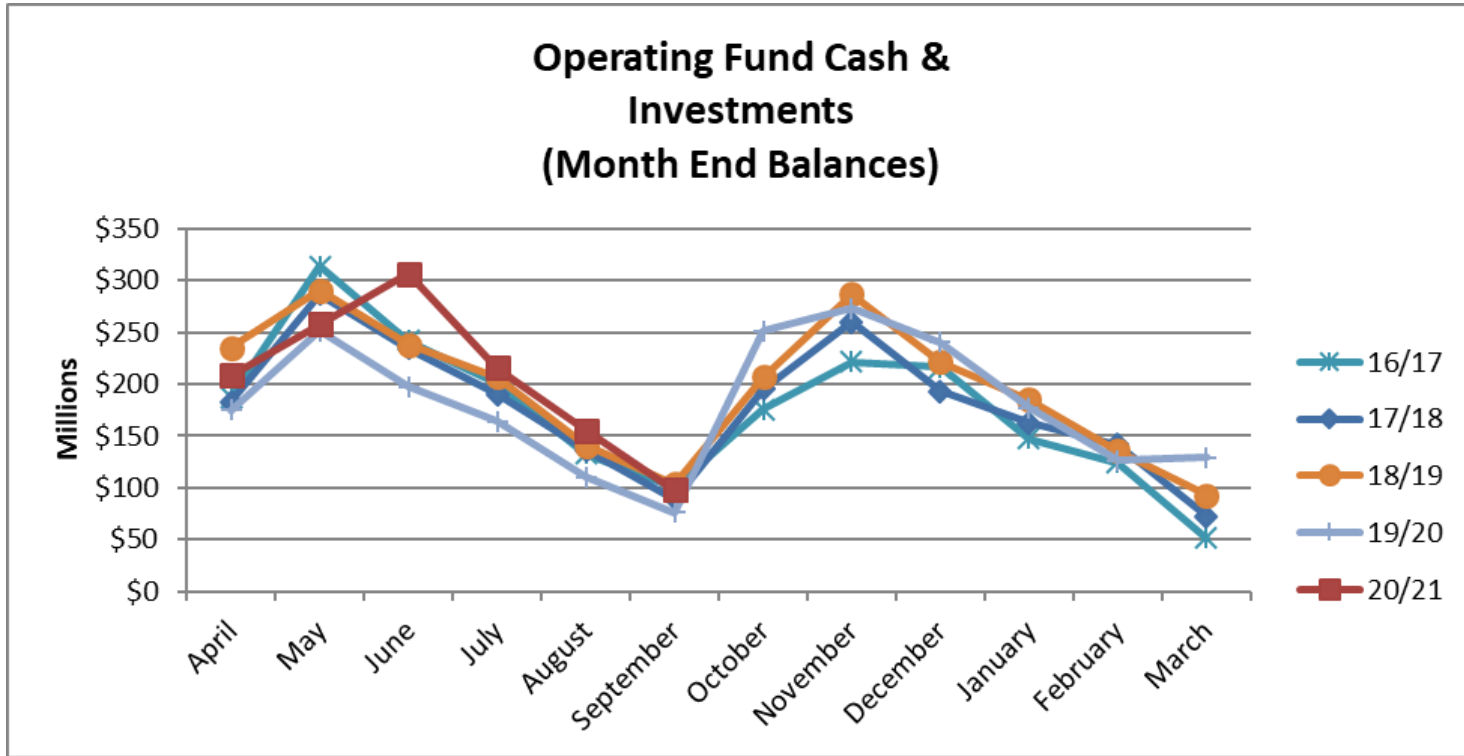
Quarters ending June 30 and September 30, 2020

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Investing Activities

- No money market investments made in the reporting period
 - Carried five investments into quarter for a total value of \$87.1 MM, average cost of \$17.4 MM and original term of 362 days
- Investment income for the two quarters as follows

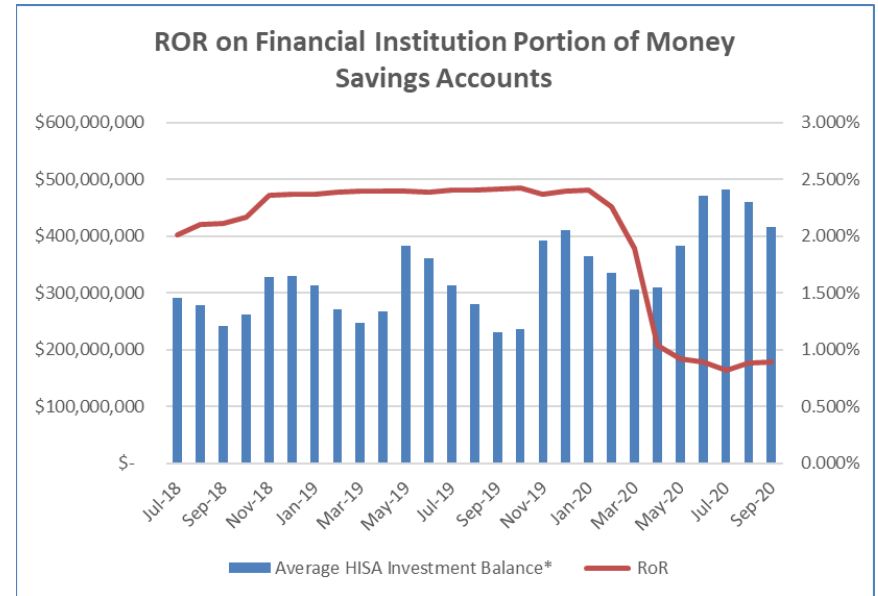
	Q/E June 30	Q/E Sept 30
Income	\$588,783	\$408,217
Projected	\$187,500	\$187,500
Rate of return	0.25%	0.23%
Projected return	0.21%	0.21%



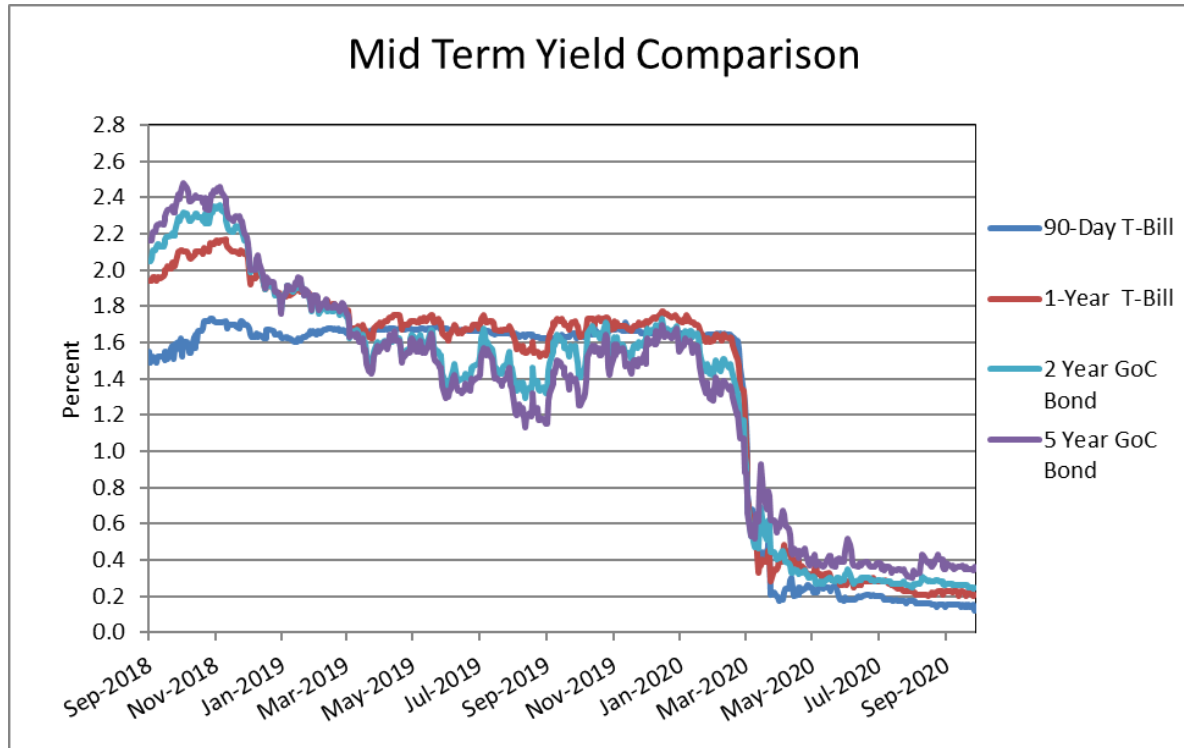
- Peak cash moved from May to June due to change in tax due date and remained higher through to August
- By September 30, operating cash balance was consistent with prior years

HRM Investment Accounts

- Investments in high-interest savings accounts (HISA) was \$481.2 MM at June 30 and \$403.5 at September 30
- Income exceeded BA's by \$550,147 and 684,195 respectively, using 0.377% and 0.264% as proxies for BA and BDN rates
- Quarterly return was 0.24% and 0.22%



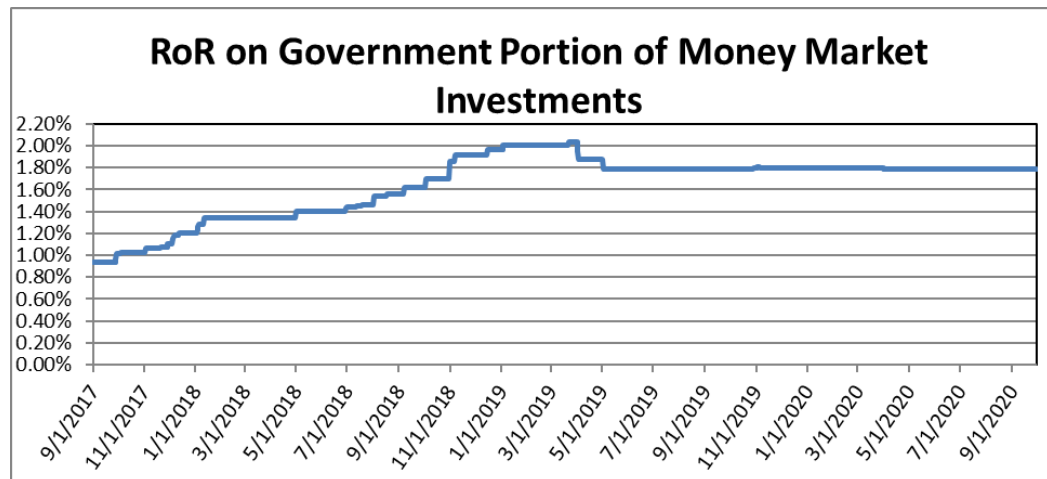
Government Sector Performance



- By April, rates stabilized with central banks signaling they will maintain low rates to aid in economic recovery

Money Market Performance

- For both quarters, the rate of return remained steady at 0.45% for the money market investments
- Annual return to September 30th was 1.79%
- In comparison, average return of a one-year t-bill for the same period was 0.28%
- The average term to maturity is 362 days
- Two investments matured in late April leaving a balance of \$47.9 MM



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Overall Results

Money Market Funds	3 Months (to June 30, 2020)	3 Months (to Sept 30, 2020)	1 Year (to Sept 30, 2020)
5 th Percentile	0.41%	0.18%	1.57%
1 st Quartile	0.31%	0.14%	1.37%
Money Market Median	0.24%	0.12%	1.25%
3 rd Quartile	0.18%	0.08%	1.13%
95 th Percentile	0.11%	0.03%	0.90%
Average Return	0.24%	0.11%	1.25%
HRM Overall	0.25%	0.23%	1.57%

Overall results for both quarters exceed the median of the pooled money market funds.

Outlook

Outlook for Canadian Economic Activity

“The economic recovery is projected to be prolonged, underpinned by policy support but largely influenced by the evolution of the virus, ongoing uncertainty and structural changes to the economy.

...

“As the economy recuperates, it will continue to require extraordinary monetary policy support. The Governing Council will hold the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In our current projection, this does not happen until into 2023.”

*Bank of Canada
Monetary Policy Report – October 2020*

We do not expect to see the overnight rate move from its current level of 25 bps. We also see banks pulling back rates on their HISA products.

We continue to monitor guidance and will maximize returns by leverage HISA accounts and provide portfolio diversity with Government instruments.

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