



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 5**  
**Halifax Regional Council**  
**February 9, 2021**

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

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Councillor Russell, Chair, Audit and Finance Standing Committee

**DATE:** January 26, 2021

**SUBJECT:** Investment Activities Financial Reports

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### **INFORMATION REPORT**

#### **ORIGIN**

Audit and Finance Standing Committee January 19, 2021 meeting, Item No. 12.2.1

#### **LEGISLATIVE AUTHORITY**

Administrative Order One, Schedule 2, Audit and Finance Standing Committee, Terms of Reference, section 1 Purpose states:

'(1) The purpose of the Audit and Finance Standing Committee is to provide advice to the Council on matters relating to audit and finance.

(2) The other purposes of the Committee are to:

(a) fulfill the requirements as outlined in Section 48 of the *HRM Charter*; and

(b) assist the Council in meeting its responsibilities by ensuring the adequacy and effectiveness of financial reporting, risk management and internal controls.'

Additionally, section 4(f) Finance and Risk Management states:

'That the Audit and Finance Standing Committee shall:

(f) review as required, any other policies, procedures, forecasts, reports or process as agreed to mutually by the CAO and the Committee.'

#### **BACKGROUND/DISCUSSION**

The Audit and Finance Standing Committee received three staff reports dated March 2, 2020 pertaining to the financial quarter ending December 31, 2019, December 7, 2020 pertaining to the financial quarter ending March 31, 2020, December 7, 2020 and pertaining to the financial quarters ending June 30 and

September 30, 2020 at its January 19, 2021 meeting and approved a motion to forward the reports to Halifax Regional Council for information.

For further information please refer to the attached staff reports dated March 2, 2020 (Attachment 1), December 7, 2020 (Attachment 2), December 7, 2020 (Attachment 3).

### **FINANCIAL IMPLICATIONS**

Financial implications are outlined in the attached staff reports dated March 2, 2020 (Attachment 1), December 7, 2020 (Attachment 2), December 7, 2020 (Attachment 3).

### **COMMUNITY ENGAGEMENT**

The agenda and reports of the Audit and Finance Standing Committee are posted on Halifax.ca, and draft minutes of the meeting will be made available on Halifax.ca.

### **ATTACHMENTS**

Staff recommendation report dated March 2, 2020 (Attachment 1), December 7, 2020 (Attachment 2), December 7, 2020 (Attachment 3).

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Simon Ross-Siegel, Legislative Assistant, Office of the Municipal Clerk, 902.490.6519

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B3J 3A5 Canada

**Attachment 1**  
**Audit & Finance Standing Committee**  
**Special Meeting**  
**January 19, 2021**

**TO:** Chair and Members of Audit & Finance Standing Committee

**SUBMITTED BY:** *-Original Signed-*  
\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer

*-Original Signed-*  
\_\_\_\_\_  
Jane Fraser, CFO / Executive Director, Finance, Asset Management & ICT

**DATE:** March 2, 2020

**SUBJECT:** Investment Activities – Quarter ending December 31, 2019

**ORIGIN**

Quarterly report of investment performance and adherence to approved Investment Policy.

**LEGISLATIVE AUTHORITY**

Section 121(1) of the HRM Charter requires that funds be invested pursuant to an Investment Policy adopted by Council and approved by the Minister of Municipal Affairs (the Minister) or invested pursuant to the Trustee Act. Where HRM has chosen to adopt an Investment Policy, and the Minister has approved the Policy, investment activities are governed by this Policy.

**RECOMMENDATION**

It is recommended that the Audit and Finance Standing Committee forward this report to Halifax Regional Council as an information item.

## **BACKGROUND**

The Halifax Regional Municipality Investment Policy (the Policy) was adopted by Council April 23, 2002 and was approved by the Minister of Service Nova Scotia and Municipal Relations on May 14, 2002. This Ministerial position was later reorganized and now has the title the Minister of Municipal Affairs (the Minister).

The mandate of the Committee is to recommend an investment policy to Council as well as provide ongoing monitoring of investment activities. Following adoption and approval of the Policy, the activities of the Committee have shifted to the monitoring role as well as annual reviews of the Policy.

Amendments to the Policy, as recommended by the Investment Policy Advisory Committee (the Committee) were approved by Council and the Minister in 2005, 2007, 2008, 2010, 2017, and 2019. Reviews of the Policy by the Committee in 2012, 2014 and 2015 did not result in any recommended changes.

## **DISCUSSION**

The Investment Policy Advisory Committee is pleased to provide this report under the provisions of the Policy. The primary focus of this report will be to report on compliance with the objectives of the Policy.

The three objectives and three strategies of the Policy, stated in order of priority of importance, are as follows:

Objective:

1. Preservation of Capital
2. Liquidity
3. Competitive Return on Investments

Strategies:

4. Diversification of Investment Portfolio
5. Regular Review of Performance
6. Risk Management Approach

The Sector Weight schedule recommended under the 2019 Policy is attached.

At the Investment Policy Advisory Committee meeting of March 2, 2020, the Committee reviewed the information provided by staff in the Treasurer's report to the Committee for the Quarter ending December 31, 2019 and accepts the report and the findings contained in the report that the investment activities reported comply with the Policy.

## **Overall Results**

Operating fund investment income for the three months ending December 31, 2019 was \$1,209,396. The actual rate of return was 0.56% for the period.

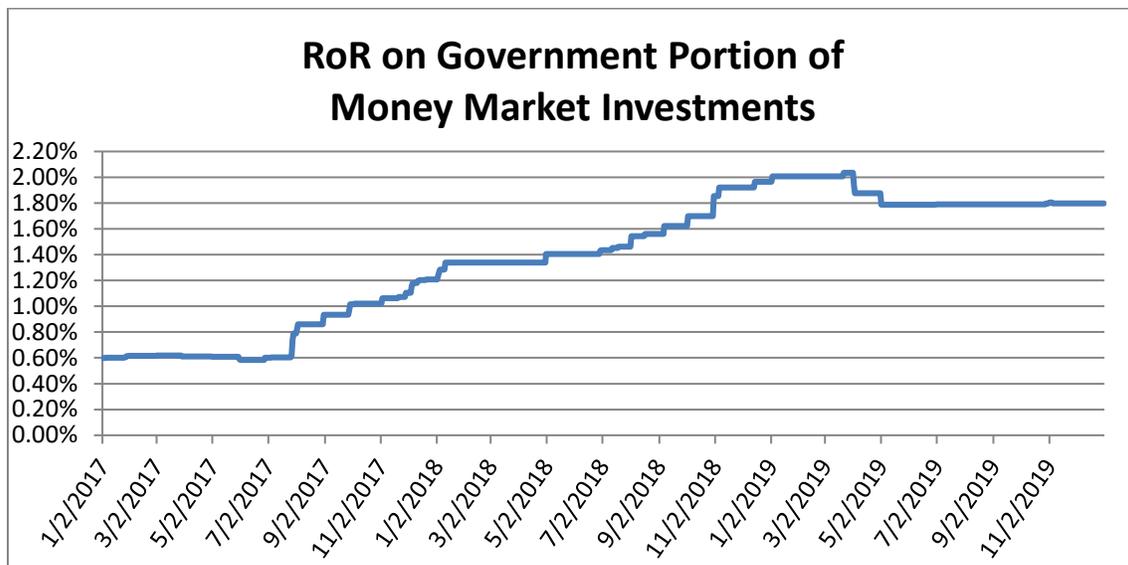
## **HRM Investment Activities**

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 also been including the RBC Investor and Treasury Services Pooled Fund survey to the Investment Committee, which is very similar to

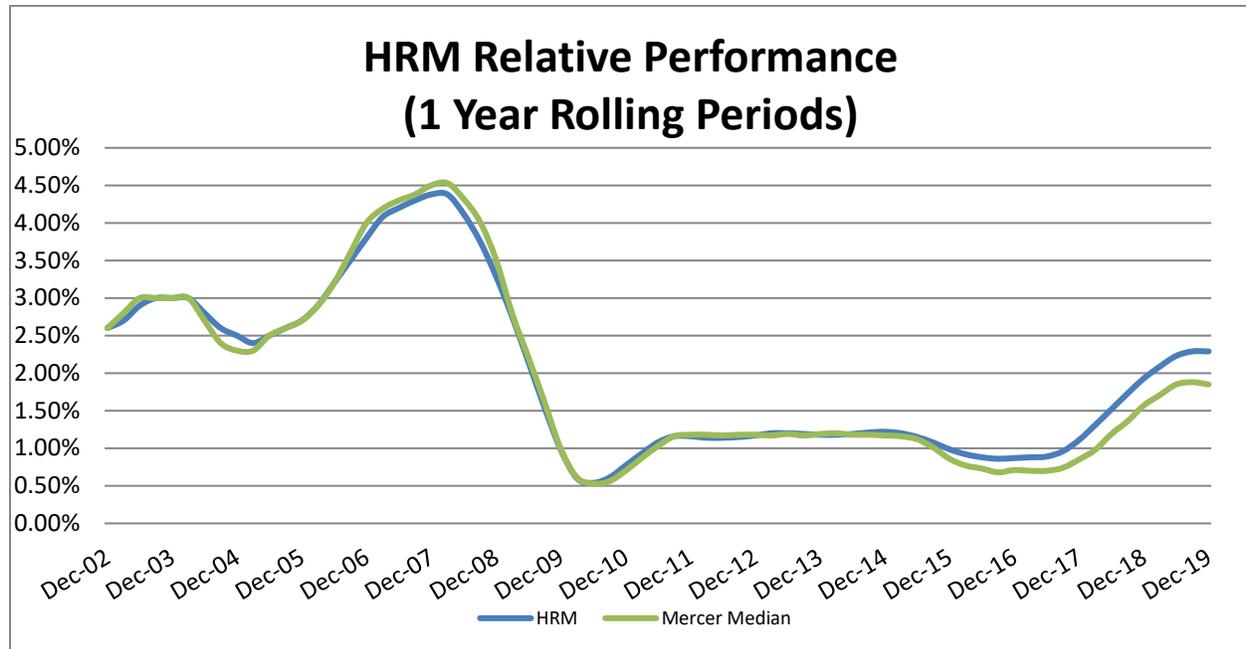
the Mercer Survey. We will be using this survey going forward. Please see the table below with the results using the RBC Survey

Money Market Funds	3 Months (to Dec 31, 2019)	1 Year (to Dec 31, 2019)
5 <sup>th</sup> Percentile	0.49%	2.09%
1 <sup>st</sup> Quartile	0.46%	1.95%
Money Market Median	0.44%	1.85%
3 <sup>rd</sup> Quartile	0.42%	1.79%
95 <sup>th</sup> Percentile	0.39%	1.51%
Average Return	0.44%	1.85%
<b>HRM Overall</b>	<b>0.56%</b>	<b>2.29%</b>

Relative performance continues to be positive; the 3 month and one-year returns exceed the 5th 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.



As shown in the graph below, over the longer term HRM investment performance closely matches the median with fee savings also accruing to HRM.



During the quarter, there were three money market investments made totaling \$47,855,866 with an average term to maturity of 362 days and an average cost of \$15,951,955. This compares to last year when 4 investments were made at a total cost of \$101,449,461 with an average term of 153 days and average individual investment cost of \$25,362,365. In addition, two investments with an original time to maturity of 181 days matured during the quarter at a value of \$54,500,000. The predominant strategy continues to see HRM allocate funds to the investment bank accounts and rebalance the portfolio using government instruments to manage sector weights.

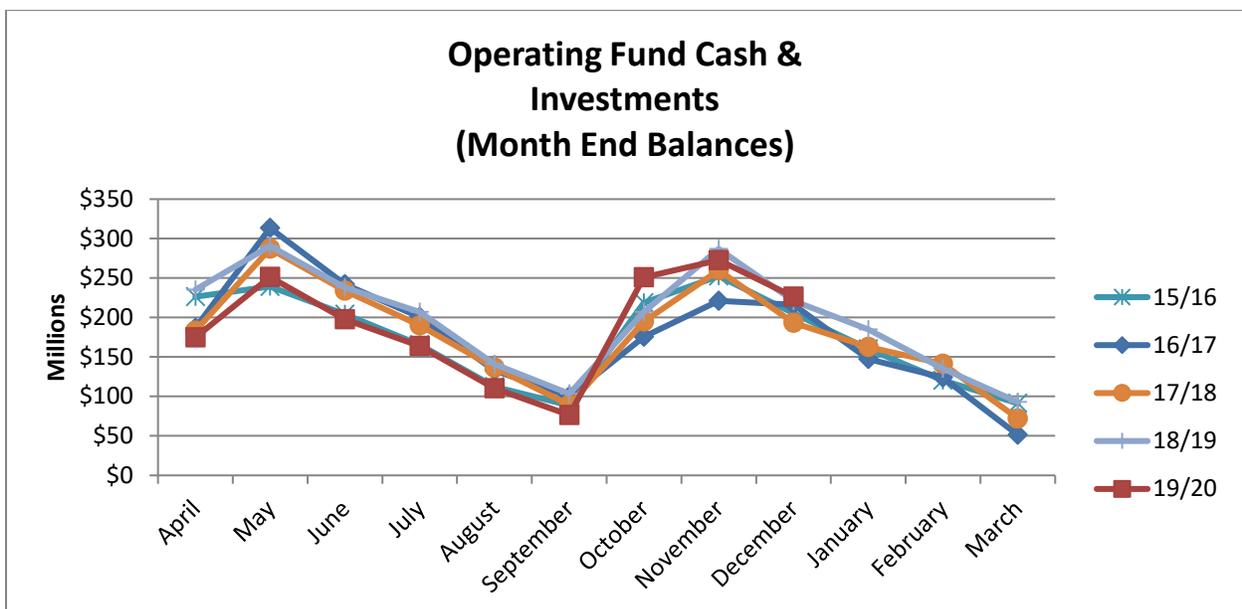
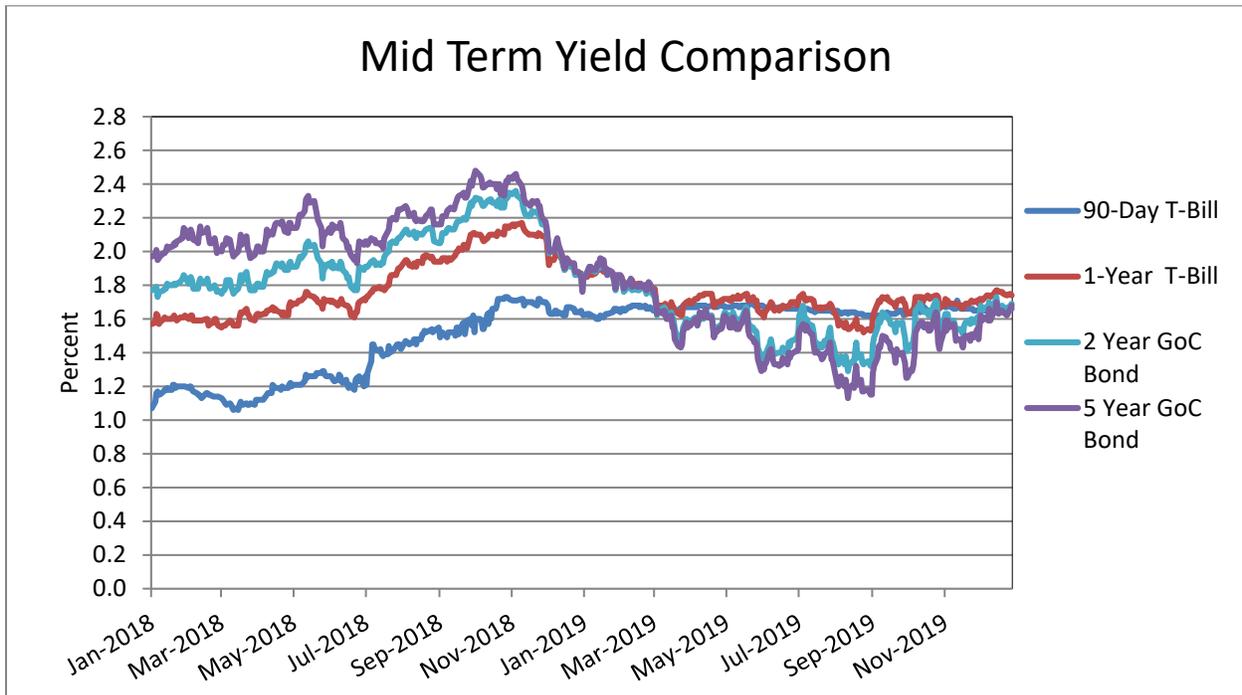
Funds held in the investment bank accounts, including term deposits, totaled \$372,055,640 at the end of the quarter. Incremental income for the investment accounts over BA's and BDN's, using a rate of 1.87% as the three-month proxy for the BA and BDN rates, was \$470,645 for the quarter. The income from our investment accounts provided a quarterly return of 0.60%, and a 12 month return of 2.4%.

The cumulative incremental gross investment income from the 2007 policy change that expanded the non-government sector weight was \$4,164,553 including a \$255,047 increase during the quarter. An additional \$244,249 was realized over the quarter due to recent changes made to the investment policy that excludes operational cash requirements from the sector weights for a cumulative impact since April 2019 of \$661,713.

HRM Short Term Bond Pool

Currently, the portfolio does not contain any bonds. Staff will continue to look for opportunities to add to the bond portfolio.

**Government Sector Performance – January 2018 to December 2019**



Subsequent to End of Reporting Quarter

The Bank of Canada continues to maintain the overnight rate at 1.75%. Recently, the Bank noted a slowdown in the last quarter of 2019 and anticipates it will continue into early 2020. Moderate growth is projected for the latter part of 2020 and continue in 2021; however, a rate cut is anticipated in the coming months. The Treasury team will continue to monitor.

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.

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 5th percentile for the quarter ending December 31<sup>st</sup>, 2019 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.

**FINANCIAL IMPLICATIONS**

As discussed above, operating income for the three months ending December 31, 2019 was \$1,209,396 versus a budget of \$750,000 due to higher cash flows than anticipated. The actual rate of return was 0.56% for the period.

**RISK CONSIDERATION**

There are no significant risks associated with the recommendations in this report.

**COMMUNITY ENGAGEMENT**

Investment activities are reported quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (4 of 6) are volunteers from the general public. The Committee reports to the Audit and Finance Committee of Council quarterly on staff's compliance with the Investment Policy. In addition, the Committee conducts an annual review of the Investment Policy and makes recommendations for any changes considered appropriate.

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

N/A

**ATTACHMENTS**

Attachment 1 - Sector Weight Schedule @ December 31, 2019 (Schedule A)

Appendix A - Economic Statistics and Central Bank Actions

Appendix B - List of Eligible Investments

Appendix C - DBRS Rating Scale

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Vicki Robertson, CPA, CGA, Deputy Treasurer, 902-817-1479

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# Attachment 1

## Total Portfolio Sector Weights @Dec 31, 2019

## SCHEDULE A

Category	Status	Cumulative Amount Invested @ Book Value	% of Portfolio	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>0</b>	<b>0%</b>	<b>512,536,774</b>	<b>100%</b>	<b>512,536,774</b>	<b>100%</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	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>121,541,416</b>	<b>24%</b>	<b>512,536,774</b>	<b>100%</b>	<b>390,995,358</b>	<b>76%</b>
Total Alberta (R-1 High)	Open	5,305,824	1%				
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	0%				
Manitoba (R-1 Mid)	Open	0	0%				
New Brunswick (R-1 Mid)	Open	0	0%				
Nova Scotia (R-1 Mid)	Open	0	0%				
Ontario (R-1 Mid)	Open	83,510,150	16%				
Quebec (R-1 Mid)	Open	32,725,442	6%				
Quebec		32,725,442					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan (R-1 High)	Open	0	0%				
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>	<b>0%</b>	<b>128,134,193</b>	<b>25%</b>	<b>128,134,193</b>	<b>25%</b>
Calgary (R-1 High)	Open	0	0%	51,253,677	10%	51,253,677	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>390,988,948</b>	<b>76%</b>	<b>256,268,387</b>	<b>50%</b>	<b>-134,720,561</b>	<b>-26%</b>
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>325,118,928</b>	<b>63%</b>	<b>256,268,387</b>	<b>50%</b>	<b>-68,850,541</b>	<b>-13%</b>
Bank of Montreal (R-1 High)	Open	99,933,305	19%				
BMO - Instruments		0					
BMO - Account		99,933,305					
Bank of Nova Scotia (R-1 High)	Open	18,933,308	4%				
Bank of Nova Scotia Effective Cash		8,933,308					
Bank of Nova Scotia - Notice Account		10,000,000					
Canadian Imperial Bank of Commerce (R-1 High)	Open	100,767,035	20%				
CIBC - Instruments		0					
CIBC - Account		100,767,035					
Royal Bank (R-1 High)	Open	70,526,087	14%				
RBC - Instruments		0					
RBC - Account		70,526,087					
Toronto Dominion (R-1 High)	Open	34,959,193	7%				
TD - Instruments		0					
TD - Account		34,959,193					
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>65,870,019</b>	<b>13%</b>	<b>128,134,193</b>	<b>25%</b>	<b>62,264,174</b>	<b>12%</b>
National Bank of Canada (R-1 Mid)	Open	65,870,019	13%				
OMERS Realty Corporation (R-1 High)	Open	0	0%				
CDP Financial Inc (R-1 High)	Open	0	0%				
Desjardins Total	Open	0	0%				
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>512,530,364</b>	<b>100%</b>				
<b>Federal Government &amp; its Guarantees</b>							
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>69,043,697</b>	<b>20%</b>	<b>69,043,697</b>	<b>20%</b>
<b>Reserves - Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>163,944,195</b>	<b>100%</b>	<b>163,944,195</b>	<b>100%</b>
Canada Mortgage & Housing Corp.		0	0%	163,944,195	100%	163,944,195	100%
<b>Provincial Government &amp; their Guarantees</b>		<b>0</b>	<b>0%</b>	<b>69,043,697</b>	<b>20%</b>	<b>69,043,697</b>	<b>20%</b>
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>69,043,697</b>	<b>20%</b>	<b>36,254,858</b>	<b>11%</b>
Alberta		0	0%	34,521,849	10%	34,521,849	10%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	34,521,849	10%	34,521,849	10%
Manitoba		0	0%	34,521,849	10%	34,521,849	10%
New Brunswick		0	0%	34,521,849	10%	34,521,849	10%
Nova Scotia		0	0%	34,521,849	10%	34,521,849	10%
Ontario		0	0%	34,521,849	10%	34,521,849	10%
Quebec		0	0%	34,521,849	10%	34,521,849	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	34,521,849	10%	34,521,849	10%
<b>Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>32,788,839</b>	<b>20%</b>	<b>32,788,839</b>	<b>20%</b>
Alberta		0	0%	16,394,420	10%	16,394,420	10%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	16,394,420	10%	16,394,420	10%
Manitoba		0	0%	16,394,420	10%	16,394,420	10%
New Brunswick		0	0%	16,394,420	10%	16,394,420	10%
Nova Scotia		0					
Ontario		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Financement Quebec		0	0%	16,394,420	10%	16,394,420	10%
Hydro Quebec		0	0%	16,394,420	10%	16,394,420	10%
Saskatchewan		0	0%	16,394,420	10%	16,394,420	10%
<b>Total Fixed</b>		<b>0</b>	<b>0%</b>	<b>32,788,839</b>	<b>20%</b>	<b>32,788,839</b>	<b>20%</b>
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>512,536,774</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		41,000,000	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>553,536,774</b>					

## Appendix A

Economic Statistics	Canada			US		
	Oct	Nov	Dec	Oct	Nov	Dec
Unemployment Rate	5.5%	5.9%	5.6%	3.6%	3.5%	3.5%
Jobs Created / (Lost) ('000's)	(3.2)	(54.4)	27.3	185.0	261.0	147.0
Core Inflation Rate (year over year)	1.9%	2.2%	2.2%	1.8%	2.1%	2.3%

Date	Central Bank	Central Bank Action
Jan 9, 2019	Bank of Canada	Maintained overnight rate at 1.75%.
Jan 30, 2019	U.S. Federal Open Market Committee	Maintained target range to 2.25% - 2.5%
Mar 6, 2019	Bank of Canada	Maintained overnight rate at 1.75%.
Mar 20, 2019	U.S. Federal Open Market Committee	Maintained target range to 2.25% - 2.5%
Apr 24 <sup>th</sup> , 2019	Bank of Canada	Maintained overnight rate at 1.75%.
May 1 <sup>st</sup> , 2019	U.S. Federal Open Market Committee	Maintained target range to 2.25% - 2.5%
May 29 <sup>th</sup> , 2019	Bank of Canada	Maintained overnight rate at 1.75%.
June 29 <sup>th</sup> , 2019	U.S. Federal Open Market Committee	Maintained target range to 2.25% - 2.5%
July 10, 2019	Bank of Canada	Maintained overnight rate at 1.75%.
July 31, 2019	U.S. Federal Open Market Committee	Lowered target range to 2.0% - 2.25%
Sept 4 <sup>th</sup> , 2019	Bank of Canada	Maintained overnight rate at 1.75%
Sept 18 <sup>th</sup> , 2019	U.S. Federal Open Market Committee	Lowered target range to 1.75% - 2.0%
Oct 30, 2019	Bank of Canada	Maintained overnight rate at 1.75%
Oct. 30. 2019	U.S. Federal Open Market Committee	Lowered target range to 1.5% - 1.75%
Dec 4, 2019	Bank of Canada	Maintained overnight rate at 1.75%
Dec 11, 2019	U.S. Federal Open Market Committee	Maintained target range to 1.5% - 1.75%
Jan 22, 2020	Bank of Canada	Maintained overnight rate at 1.75%
Jan 29, 2020	U.S. Federal Open Market Committee	Maintained target range to 1.5% - 1.75%

List of Eligible Investments

The Government of Canada & Its Guarantees:

Federal Government

Business Development Bank

Canada Mortgage & Housing Corporation

Canadian Wheat Board

Export Development Canada

Farm Credit Corporation

Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees

The Province of British Columbia & Its Guarantees

The Province of Manitoba & Its Guarantees

The Province of New Brunswick & Its Guarantees

The Province of Ontario & Its Guarantees

The Province of Quebec & Its Guarantees

The Province of Saskatchewan & Its Guarantees

The Province of Nova Scotia

Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees

Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees

The Bank of Nova Scotia & Its Guarantees

Canadian Imperial Bank of Commerce & Its Guarantees

Royal Bank of Canada & Its Guarantees

Toronto Dominion Bank & Its Guarantees

Financial Institutions & Corporations (Tier 2):

Desjardins Group

Caisse Centrale Desjardins

CDP Financial Inc.

National Bank of Canada

OMERS Finance Trust

**Dominion Bond Rating Service (DBRS) Rating Scale**

**R-1 (high)**

Short-term debt rated R-1 (high) is of the highest credit quality, and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

**R-1 (middle)**

Short-term debt rated R-1 (middle) is of superior credit quality and, in most cases, ratings in this category differ from R-1 (high) credits by only a small degree. Given the extremely tough definition DBRS has established for the R-1 (high) category, entities rated R-1 (middle) are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

**R-1 (low)**

Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.



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**Attachment 2**  
**Audit & Finance Standing Committee**  
**Special Meeting**  
**January 19, 2021**

**TO:** Chair and Members of Audit & Finance Standing Committee

**SUBMITTED BY:** *-Original Signed-*  
\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer

*-Original Signed-*  
\_\_\_\_\_  
Jane Fraser, CFO / Executive Director, Finance, Asset Management & ICT

**DATE:** December 7, 2020

**SUBJECT:** Investment Activities – Quarter ending March 31, 2020

**ORIGIN**

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**RECOMMENDATION**

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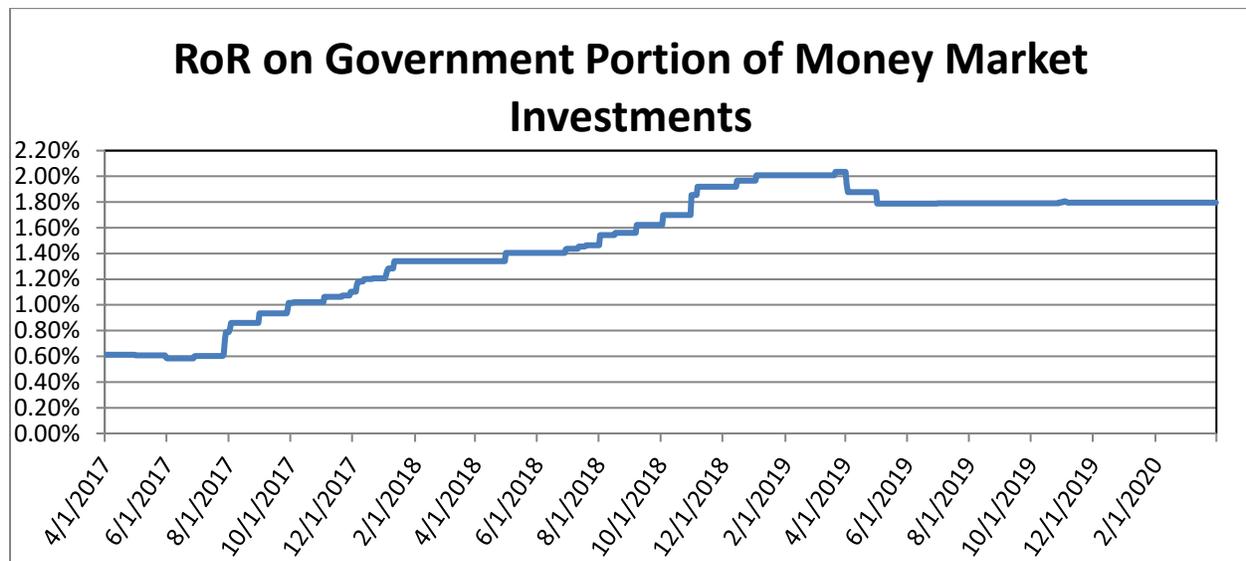
### **HRM Investment Activities**

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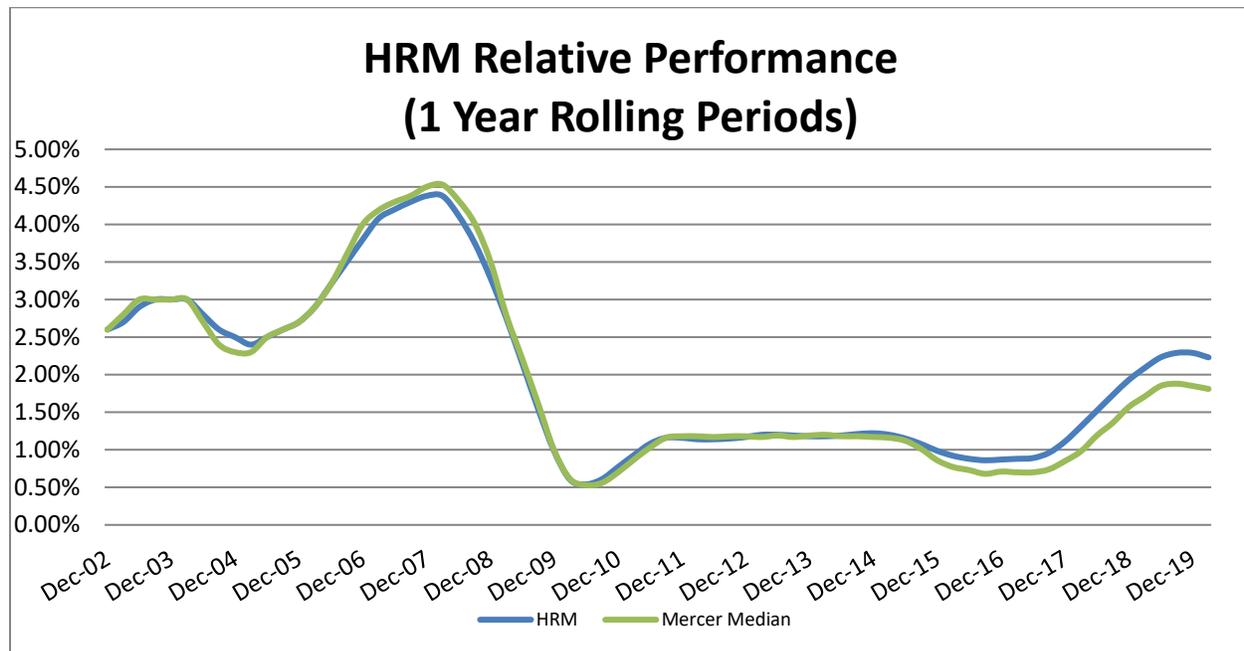
the Mercer Survey. We will be using this survey going forward. Please see the table below with the results using the RBC Survey

Money Market Funds	3 Months (to Mar 31, 2020)	1 Year (to Mar 31, 2020)
5 <sup>th</sup> Percentile	0.60%	2.07%
1 <sup>st</sup> Quartile	0.47%	1.92%
Money Market Median	0.44%	1.81%
3 <sup>rd</sup> Quartile	0.41%	1.73%
95 <sup>th</sup> Percentile	0.37%	1.48%
Average Return	0.45%	1.81%
<b>HRM Overall</b>	<b>0.53%</b>	<b>2.23%</b>

Relative performance continues to be positive; the three-month return exceeds the 1<sup>st</sup> quartile and the one-year return exceeds 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.



As shown in the graph below, over the longer term HRM investment performance closely matches the median with fee savings also accruing to HRM.



During the quarter, there were no market investments made as we carried six investments into the quarter with a total value of \$121,541,416 with an average cost of \$20,256,903 and original average term of 362 days. This compares to last year when we carried six investments with a total cost of \$121,658,720. One investment with an original time to maturity of 358 days matured late in the quarter at a value of \$35,000,000 and an initial cost of \$34,392,750. The predominant strategy continues to see HRM allocate funds to the investment bank accounts and rebalance the portfolio using government instruments to manage sector weights.

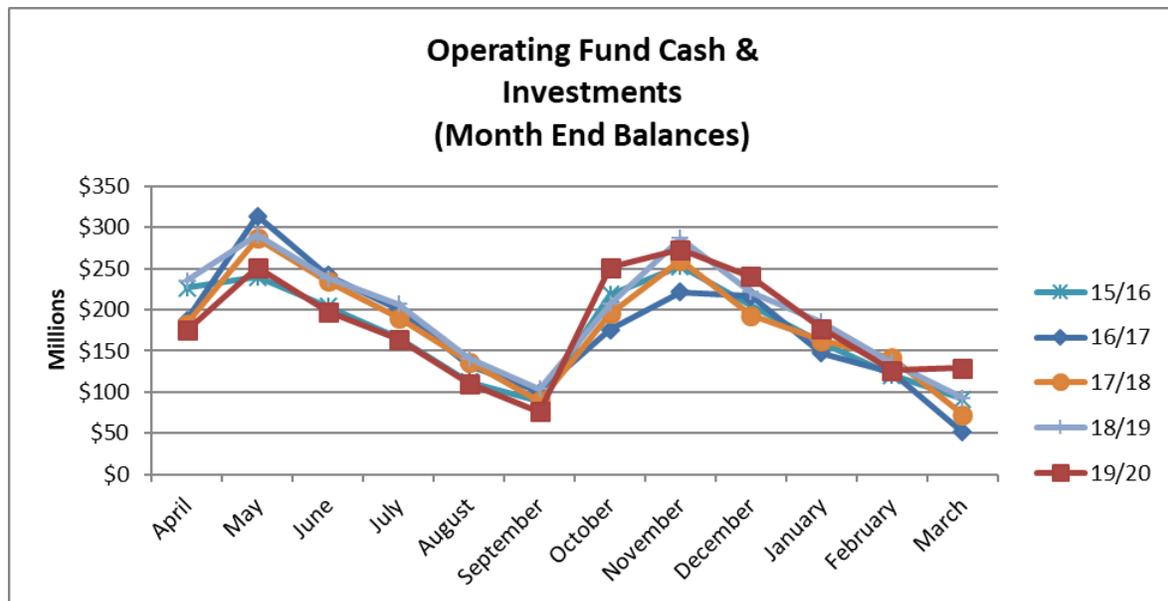
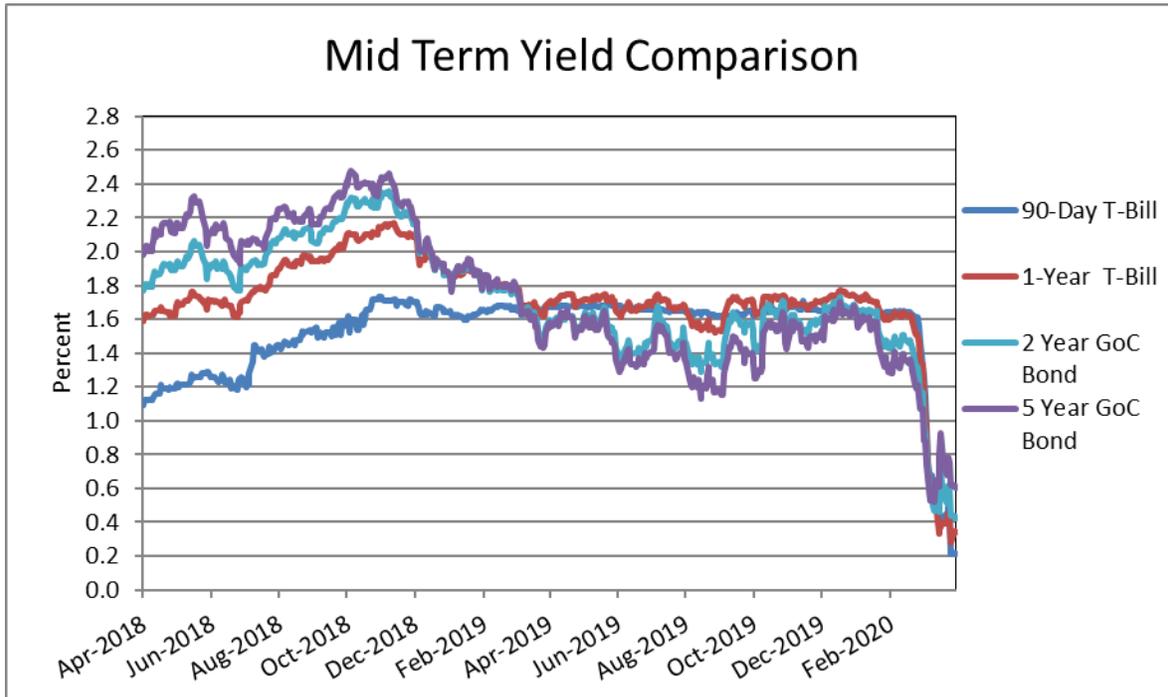
Funds held in the investment bank accounts, including term deposits, totaled \$303,323,659 at the end of the quarter. Incremental income for the investment accounts over BA's and BDN's, using a rate of 1.65% as the three-month proxy for the BA and BDN rates, was \$481,523 for the quarter. The income from our investment accounts provided a quarterly return of 0.55%, and a 12 month return of 2.36%.

The cumulative incremental gross investment income from the 2007 policy change that expanded the non-government sector weight was \$4,372,909 including a \$208,356 increase during the quarter. An additional \$387,108 was realized over the quarter due to recent changes made to the investment policy that excludes operational cash requirements from the sector weights for a cumulative impact since April 2019 of \$1,047,695.

HRM Short Term Bond Pool

Currently, the portfolio does not contain any bonds. Staff will continue to look for opportunities to add to the bond portfolio.

**Government Sector Performance – April 2018 to March 2020**



Subsequent to End of Reporting Quarter

Near the end of reporting period, the Bank of Canada reacted to the global pandemic by introducing three successive 50 bps rate cuts, reducing the overnight rate from 1.75% to 0.25%. Since that time, the rate has been held steady by the Bank, indicating in April that it considers the current rate as its “effective lower bound”.

Outlook & Strategy

The investment bank accounts continue to provide effective rates of return when compared to instruments with similar risk, even in the current environment. The dominant strategy is to maximize our returns by leveraging HISA accounts, keeping in mind that their liquidity adds a safety factor.

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 exceeded the 1st quartile for the quarter ending March 31, 2020 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.

**FINANCIAL IMPLICATIONS**

As discussed above, operating investment income for the three months ending March 31, 2020 was \$857,721 versus a budget of \$750,000 due to higher cash flows than anticipated. The actual rate of return was 0.53% for the period.

**RISK CONSIDERATION**

There are no significant risks associated with the recommendations in this report.

**COMMUNITY ENGAGEMENT**

Investment activities are reported quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (4 of 6) are volunteers from the general public. The Committee reports to the Audit and Finance Committee of Council quarterly on staff's compliance with the Investment Policy. In addition, the Committee conducts an annual review of the Investment Policy and makes recommendations for any changes considered appropriate.

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

N/A

**ATTACHMENTS**

Attachment 1 - Sector Weight Schedule @ March 31, 2020 (Schedule A)

Appendix A - Economic Statistics and Central Bank Actions

Appendix B - List of Eligible Investments

Appendix C - DBRS Rating Scale

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Vicki Robertson, CPA, CGA, Deputy Treasurer, 902-817-1479

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# Attachment 1

## Total Portfolio Sector Weights @ March 30, 2020

## SCHEDULE A

Category	Status	Cumulative Amount Invested @ Book Value	% of Portfolio	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>0</b>	<b>0%</b>	<b>447,173,018</b>	<b>100%</b>	<b>447,173,018</b>	<b>100%</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	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>87,148,666</b>	<b>19%</b>	<b>447,173,018</b>	<b>100%</b>	<b>360,024,352</b>	<b>81%</b>
Total Alberta (R-1 High)	Open	5,305,824	1%				
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	0%				
Manitoba (R-1 Mid)	Open	0	0%				
New Brunswick (R-1 Mid)	Open	0	0%				
Nova Scotia (R-1 Mid)	Open	0	0%				
Ontario (R-1 Mid)	Open	49,117,400	11%				
Quebec (R-1 Mid)	Open	32,725,442	7%				
Quebec		32,725,442					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan (R-1 High)	Open	0	0%				
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>	<b>0%</b>	<b>111,793,255</b>	<b>25%</b>	<b>111,793,255</b>	<b>25%</b>
Calgary (R-1 High)	Open	0	0%	44,717,302	10%	44,717,302	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>360,017,942</b>	<b>81%</b>	<b>223,586,509</b>	<b>50%</b>	<b>-136,431,433</b>	<b>-31%</b>
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>333,744,321</b>	<b>75%</b>	<b>223,586,509</b>	<b>50%</b>	<b>-110,157,812</b>	<b>-25%</b>
Bank of Montreal (R-1 High)	Open	89,852,826	20%				
BMO - Instruments		0					
BMO - Account		89,852,826					
Bank of Nova Scotia (R-1 High)	Open	66,694,249	15%				
Bank of Nova Scotia Effective Cash		56,694,249					
Bank of Nova Scotia - Notice Account		10,000,000					
Canadian Imperial Bank of Commerce (R-1 High)	Open	91,383,801	20%				
CIBC - Instruments		0					
CIBC - Account		91,383,801					
Royal Bank (R-1 High)	Open	50,854,252	11%				
RBC - Instruments		0					
RBC - Account		50,854,252					
Toronto Dominion (R-1 High)	Open	34,959,193	8%				
TD - Instruments		0					
TD - Account		34,959,193					
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>26,273,622</b>	<b>6%</b>	<b>111,793,255</b>	<b>25%</b>	<b>85,519,633</b>	<b>19%</b>
National Bank of Canada (R-1 Mid)	Open	26,273,622	6%				
OMERS Realty Corporation (R-1 High)	Open	0	0%				
CDP Financial Inc (R-1 High)	Open	0	0%				
Desjardins Total	Open	0	0%				
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>447,166,608</b>	<b>100%</b>				
<b>Federal Government &amp; its Guarantees</b>							
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>55,970,946</b>	<b>20%</b>	<b>55,970,946</b>	<b>20%</b>
<b>Reserves - Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>163,944,195</b>	<b>100%</b>	<b>163,944,195</b>	<b>100%</b>
Canada Mortgage & Housing Corp.		0	0%	163,944,195	100%	163,944,195	100%
<b>Provincial Government &amp; their Guarantees</b>		<b>0</b>	<b>0%</b>	<b>55,970,946</b>	<b>20%</b>	<b>55,970,946</b>	<b>20%</b>
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>55,970,946</b>	<b>20%</b>	<b>23,182,107</b>	<b>8%</b>
Alberta		0	0%	27,985,473	10%	27,985,473	10%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	27,985,473	10%	27,985,473	10%
Manitoba		0	0%	27,985,473	10%	27,985,473	10%
New Brunswick		0	0%	27,985,473	10%	27,985,473	10%
Nova Scotia		0	0%	27,985,473	10%	27,985,473	10%
Ontario		0	0%	27,985,473	10%	27,985,473	10%
Quebec		0	0%	27,985,473	10%	27,985,473	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	27,985,473	10%	27,985,473	10%
<b>Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>32,788,839</b>	<b>20%</b>	<b>32,788,839</b>	<b>20%</b>
Alberta		0	0%	16,394,420	10%	16,394,420	10%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	16,394,420	10%	16,394,420	10%
Manitoba		0	0%	16,394,420	10%	16,394,420	10%
New Brunswick		0	0%	16,394,420	10%	16,394,420	10%
Nova Scotia		0					
Ontario		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Financement Quebec		0	0%	16,394,420	10%	16,394,420	10%
Hydro Quebec		0	0%	16,394,420	10%	16,394,420	10%
Saskatchewan		0	0%	16,394,420	10%	16,394,420	10%
<b>Total Fixed</b>		<b>0</b>	<b>0%</b>	<b>32,788,839</b>	<b>20%</b>	<b>32,788,839</b>	<b>20%</b>
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>447,173,018</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		22,000,000	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>469,173,018</b>					

## Appendix A

Economic Statistics	Canada			US		
	Jan	Feb	Mar	Jan	Feb	Mar
Unemployment Rate	5.5%	5.6%	7.8%	3.6%	3.5%	4.4%
Jobs Created / (Lost) ('000's)	34.5	30.3	-1010.7	214	251	-1373
Core Inflation Rate (year over year)	2.4%	2.2%	0.9%	2.5%	2.3%	1.5%

Date	Central Bank	Central Bank Action
May 1st, 2019	U.S. Federal Open Market Committee	Maintained target range to 2.25% - 2.5%
May 29 <sup>th</sup> , 2019	Bank of Canada	Maintained overnight rate at 1.75%.
June 29 <sup>th</sup> , 2019	U.S. Federal Open Market Committee	Maintained target range to 2.25% - 2.5%
July 10, 2019	Bank of Canada	Maintained overnight rate at 1.75%.
July 31, 2019	U.S. Federal Open Market Committee	Lowered target range to 2.0% - 2.25%
Sept 4 <sup>th</sup> , 2019	Bank of Canada	Maintained overnight rate at 1.75%
Sept 18 <sup>th</sup> , 2019	U.S. Federal Open Market Committee	Lowered target range to 1.75% - 2.0%
Oct 30, 2019	Bank of Canada	Maintained overnight rate at 1.75%
Oct. 30. 2019	U.S. Federal Open Market Committee	Lowered target range to 1.5% - 1.75%
Dec 4, 2019	Bank of Canada	Maintained overnight rate at 1.75%
Dec 11, 2019	U.S. Federal Open Market Committee	Maintained target range to 1.5% - 1.75%
Jan 22, 2020	Bank of Canada	Maintained overnight rate at 1.75%
Jan 29, 2020	U.S. Federal Open Market Committee	Maintained target range to 1.5% - 1.75%
Mar 3, 2020	U.S. Federal Open Market Committee	Lowered target range to 1.0% to 1.25%
Mar 4, 2020	Bank of Canada	Lowered overnight rate to 1.25%
Mar 13, 2020	Bank of Canada	Lowered overnight rate to .075%
Mar 15, 2020	U.S. Federal Open Market Committee	Lowered target range to 0.0% to 0.25%
Mar 27 2020	Bank of Canada	Lowered overnight rate to 0.25%

List of Eligible Investments

The Government of Canada & Its Guarantees:

Federal Government

Business Development Bank

Canada Mortgage & Housing Corporation

Canadian Wheat Board

Export Development Canada

Farm Credit Corporation

Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees

The Province of British Columbia & Its Guarantees

The Province of Manitoba & Its Guarantees

The Province of New Brunswick & Its Guarantees

The Province of Ontario & Its Guarantees

The Province of Quebec & Its Guarantees

The Province of Saskatchewan & Its Guarantees

The Province of Nova Scotia

Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees

Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees

The Bank of Nova Scotia & Its Guarantees

Canadian Imperial Bank of Commerce & Its Guarantees

Royal Bank of Canada & Its Guarantees

Toronto Dominion Bank & Its Guarantees

Financial Institutions & Corporations (Tier 2):

Desjardins Group

Caisse Centrale Desjardins

CDP Financial Inc.

National Bank of Canada

OMERS Finance Trust

**Dominion Bond Rating Service (DBRS) Rating Scale**

**R-1 (high)**

Short-term debt rated R-1 (high) is of the highest credit quality, and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

**R-1 (middle)**

Short-term debt rated R-1 (middle) is of superior credit quality and, in most cases, ratings in this category differ from R-1 (high) credits by only a small degree. Given the extremely tough definition DBRS has established for the R-1 (high) category, entities rated R-1 (middle) are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

**R-1 (low)**

Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Attachment 3**  
**Audit & Finance Standing Committee**  
**Special Meeting**  
**January 19, 2021**

**TO:** Chair and Members of Audit & Finance Standing Committee

**SUBMITTED BY:** *-Original Signed-*  
\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer

*-Original Signed-*  
\_\_\_\_\_  
Jane Fraser, CFO / Executive Director, Finance, Asset Management & ICT

**DATE:** December 7, 2020

**SUBJECT:** Investment Activities – Quarters ending June 30 and September 30, 2020

**ORIGIN**

Quarterly report of investment performance and adherence to approved Investment Policy.

**LEGISLATIVE AUTHORITY**

Section 121(1) of the HRM Charter requires that funds be invested pursuant to an Investment Policy adopted by Council and approved by the Minister of Municipal Affairs (the Minister) or invested pursuant to the Trustee Act. Where HRM has chosen to adopt an Investment Policy, and the Minister has approved the Policy, investment activities are governed by this Policy.

**RECOMMENDATION**

It is recommended that the Audit and Finance Standing Committee forward this report to Halifax Regional Council as an information item.

## **BACKGROUND**

The Halifax Regional Municipality Investment Policy (the Policy) was adopted by Council April 23, 2002 and was approved by the Minister of Service Nova Scotia and Municipal Relations on May 14, 2002. This Ministerial position was later reorganized and now has the title the Minister of Municipal Affairs (the Minister).

The mandate of the Committee is to recommend an investment policy to Council as well as provide ongoing monitoring of investment activities. Following adoption and approval of the Policy, the activities of the Committee have shifted to the monitoring role as well as annual reviews of the Policy.

Amendments to the Policy, as recommended by the Investment Policy Advisory Committee (the Committee) were approved by Council and the Minister in 2005, 2007, 2008, 2010, 2017, and 2019. Reviews of the Policy by the Committee in 2012, 2014 and 2015 did not result in any recommended changes.

## **DISCUSSION**

The Investment Policy Advisory Committee is pleased to provide this report under the provisions of the Policy. The primary focus of this report will be to report on compliance with the objectives of the Policy.

The three objectives and three strategies of the Policy, stated in order of priority of importance, are as follows:

Objective:

1. Preservation of Capital
2. Liquidity
3. Competitive Return on Investments

Strategies:

4. Diversification of Investment Portfolio
5. Regular Review of Performance
6. Risk Management Approach

The Sector Weight schedule recommended under the 2019 Policy is attached.

At the Investment Policy Advisory Committee meeting of December 7, 2020, the Committee reviewed the information provided by staff in the Treasurer's report to the Committee for the Quarters ending June 30 and September 30 2020 and accepts the report and the findings contained in the report that the investment activities reported comply with the Policy.

### **Overall Results**

Operating fund investment income for the 3 months ending June 30, 2020 was \$588,783 versus an original budget of \$187,500. The actual rate of return for the quarter was 0.25%.

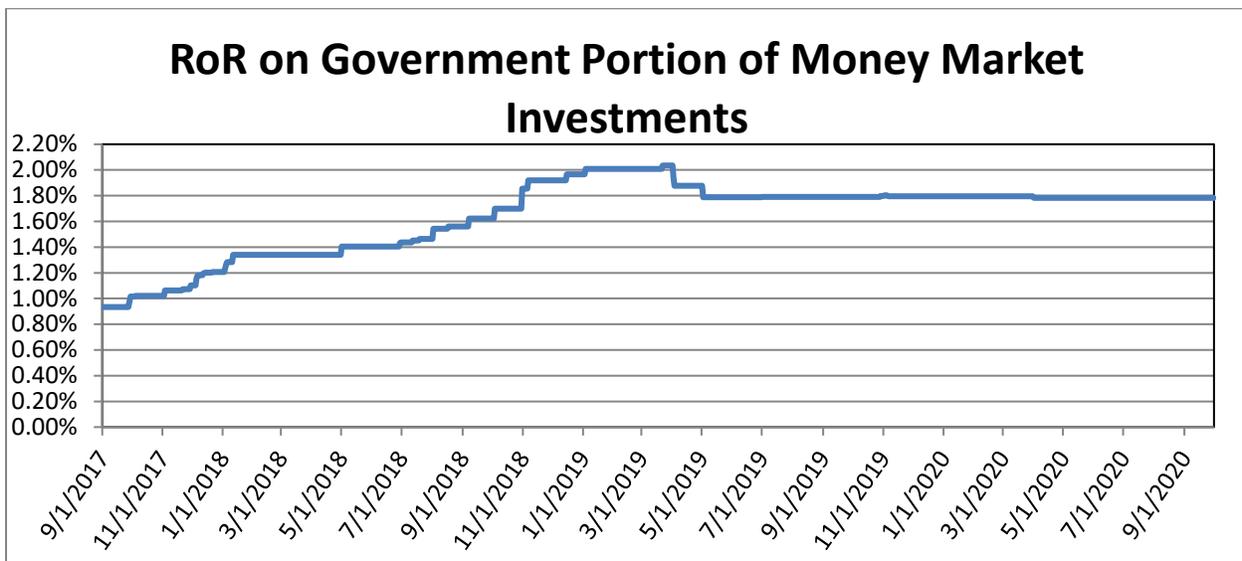
For the 3 months ending September 30, 2020, operating fund investment income was \$408,217 versus an original budget of \$187,500. The actual rate of return for the quarter was 0.23%

### **HRM Investment Activities**

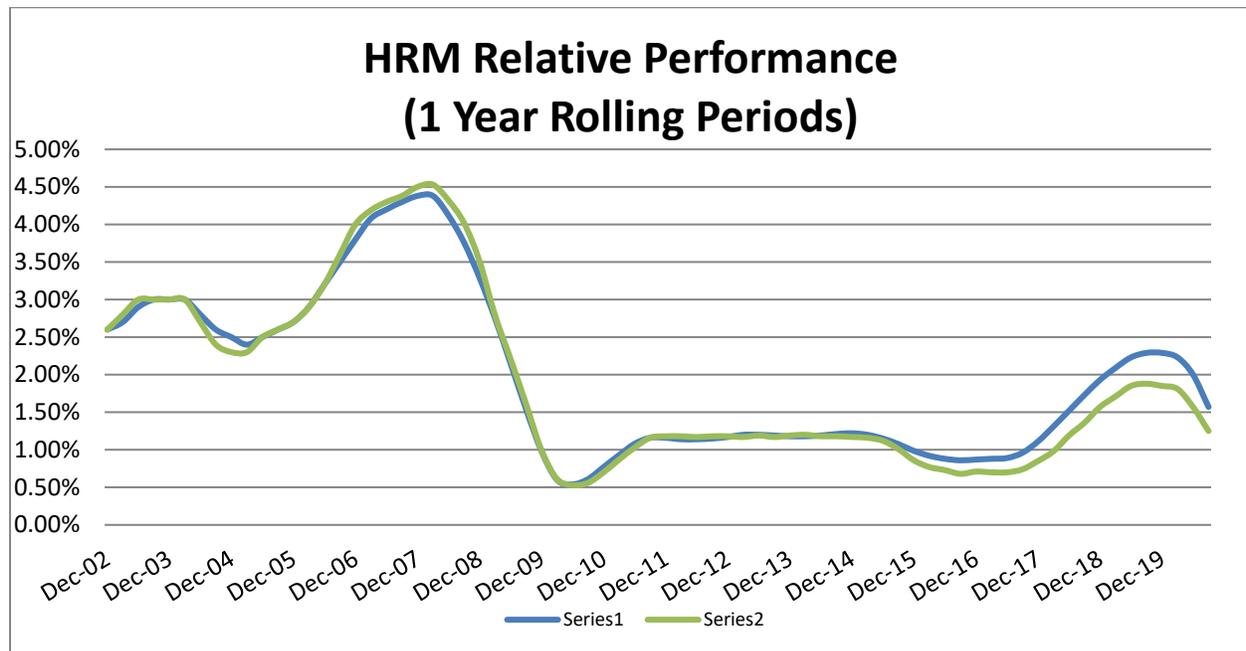
Mercer has discontinued its Investment Consulting Survey of Canadian Institutional Pooled Funds. HRM had been using this survey to compare returns with the industry. We have also been including the RBC Investor and Treasury Services Pooled Fund survey to the Investment Committee, which is very similar to the Mercer Survey. We will be using this survey going forward. Please see the table below with the results using the RBC Survey.

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

Relative performance continues to be positive as we note the three-month return for both quarters exceeds the median with the most recent three-month return exceeding the 5th percentile. The current one-year return also meets the 5th 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.



As shown in the graph below, over the longer term HRM investment performance closely matches the median with fee savings also accruing to HRM.



During the reporting period comprised of the quarters ending June 30 and September 30, there were no additional money market investments as we carried five investments into the period with a total value of \$87,148,666, an average cost of \$17,429,733, and original average term of 362 days. This compares to last year when there were five money market investments made for quarter ending June 30, 2019 with a total cost of \$127,712,600, an average cost of \$25,542,520, and an average term to maturity of 290 days. The predominant strategy continues to see HRM allocate funds to the investment bank accounts and rebalance the portfolio using government instruments to manage sector weights.

For the quarter ending June 30, funds held in the investment bank accounts, including term deposits, totaled \$481,181,548 at the end of the quarter. Using 0.377% as the proxy for the BA and BDN average annual yield for the three months, incremental income for the investment accounts over BA's and BDN's was \$550,147 for the quarter. The income from our investment accounts provided a quarterly return of 0.24%, annualized to 0.96%.

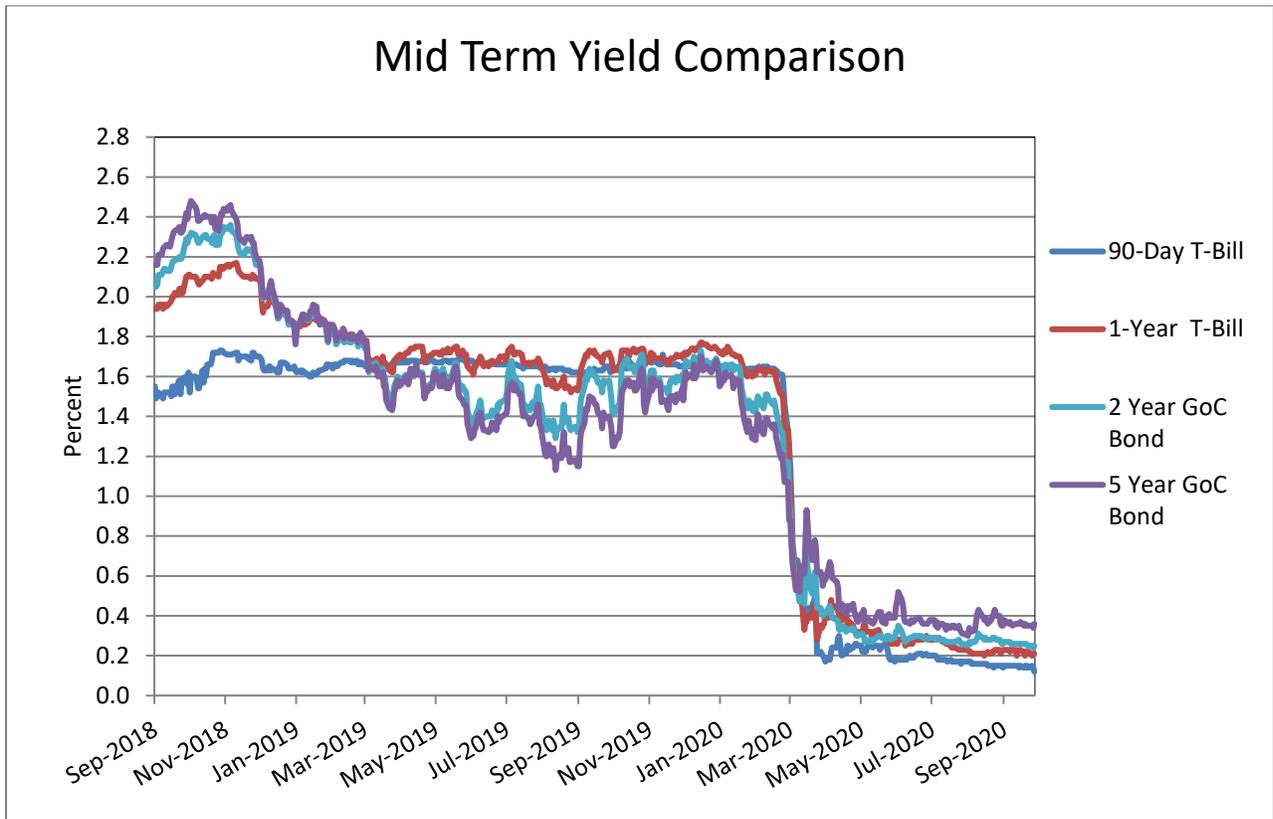
For the quarter ending September 30, funds held in the investment bank accounts, including term deposits, totaled \$403,458,713 at the end of the quarter. Using 0.264% as the proxy for the BA and BDN average annual yield for the three months, incremental income for the investment accounts over BA's and BDN's was \$685,195 for the quarter. The income from our investment accounts provided a quarterly return of 0.22%, annualized to 0.88%.

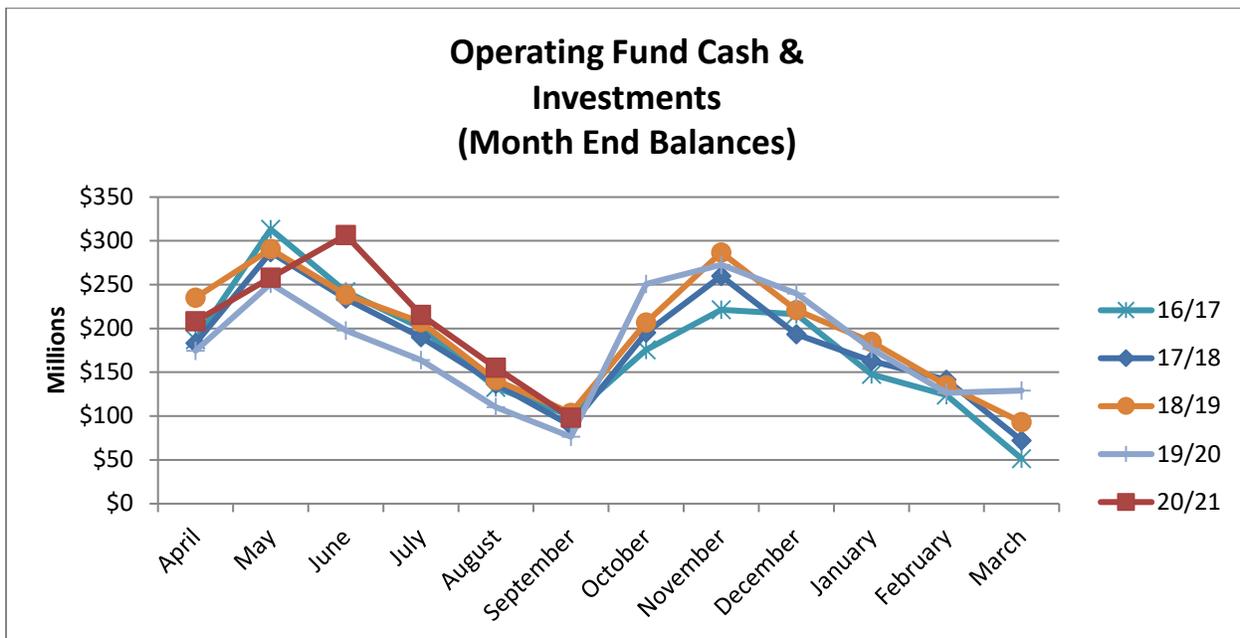
Cumulative incremental gross investment income from the 2007 policy change that expanded the non-government sector weight was \$4,864,704 including a \$491,795 increase during the two quarters of the reporting period. An additional \$624,354 was realized over the reporting period due to recent changes made to the investment policy that excludes operational cash requirements from the sector weights, for a cumulative impact since April 2019 of \$1,671,950.

HRM Short Term Bond Pool

Currently, the portfolio does not contain any bonds. Staff will continue to look for opportunities to add to the bond portfolio.

**Government Sector Performance – September 2018 to September 2020**





#### Subsequent to End of Reporting Quarter

The Bank of Canada has kept the overnight rate at 25 bps as anticipated. Current projections maintain the rate at its current level until inflation reaches the target 2%. We are also seeing some of the banks pulling back rates on their high-interest savings account (HISA) products.

#### Outlook & Strategy

We continue to monitor guidance with respect to the Bank of Canada's overnight rate. As noted below, the current outlook indicates the rate will remain at its lower bound for the next two years. The investment bank accounts continue to provide effective rates of return when compared to instruments with similar risk, even in the current low-interest environment. The strategy remains to maximize returns by leveraging HISA accounts, keeping in mind that their liquidity adds a safety factor.

#### 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 exceeded the median for the quarters ending June 30, 2020 and September 30, 2020 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.

**FINANCIAL IMPLICATIONS**

As discussed above, operating investment income for the three months ending June 30, 2020 was \$588,783 versus an original budget of \$187,500 due to higher cash flows than anticipated. The actual rate of return was 0.25% for the period. Operating investment income for the 3 months ending September 30, 2020 was \$408,217 versus an original budget of \$187,500. The actual rate of return for the quarter was 0.23%

**RISK CONSIDERATION**

There are no significant risks associated with the recommendations in this report.

**COMMUNITY ENGAGEMENT**

Investment activities are reported quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (4 of 6) are volunteers from the general public. The Committee reports to the Audit and Finance Committee of Council quarterly on staff's compliance with the Investment Policy. In addition, the Committee conducts an annual review of the Investment Policy and makes recommendations for any changes considered appropriate.

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

N/A

**ATTACHMENTS**

Attachment 1 - Sector Weight Schedule @ June 30 (Schedule A)  
Attachment 2 - Sector Weight Schedule @ September 30 (Schedule A)  
Appendix A - Economic Statistics and Central Bank Actions  
Appendix B - List of Eligible Investments  
Appendix C - DBRS Rating Scale

A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Vicki Robertson, CPA, CGA, Deputy Treasurer, 902-817-1479

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# Attachment 1

## Total Portfolio Sector Weights @ June 30, 2020

## SCHEDULE A

Category	Status	Cumulative Amount Invested @ Book Value	% of Portfolio	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>0</b>	<b>0%</b>	<b>619,574,777</b>	<b>100%</b>	<b>619,574,777</b>	<b>100%</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	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>47,855,866</b>	<b>8%</b>	<b>619,574,777</b>	<b>100%</b>	<b>571,718,911</b>	<b>92%</b>
Total Alberta (R-1 High)	Open	5,305,824	1%				
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	0%				
Manitoba (R-1 Mid)	Open	0	0%				
New Brunswick (R-1 Mid)	Open	0	0%				
Nova Scotia (R-1 Mid)	Open	0	0%				
Ontario (R-1 Mid)	Open	9,824,600	2%				
Quebec (R-1 Mid)	Open	32,725,442	5%				
Quebec		32,725,442					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan (R-1 High)	Open	0	0%				
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>	<b>0%</b>	<b>154,893,694</b>	<b>25%</b>	<b>154,893,694</b>	<b>25%</b>
Calgary (R-1 High)	Open			61,957,478	10%	61,957,478	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>571,712,501</b>	<b>92%</b>	<b>309,787,389</b>	<b>50%</b>	<b>-261,925,113</b>	<b>-42%</b>
<b>BA's Schedule A</b>							
<b>Canadian Banks R-1</b>							
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>571,568,086</b>	<b>92%</b>	<b>309,787,389</b>	<b>50%</b>	<b>-261,780,698</b>	<b>-42%</b>
Bank of Montreal (R-1 High)	Open	99,917,444	16%				
BMO - Instruments		0					
BMO - Account		99,917,444					
Bank of Nova Scotia (R-1 High)	Open	100,530,953	16%				
Bank of Nova Scotia Effective Cash		90,530,953					
Bank of Nova Scotia - Notice Account		10,000,000					
Canadian Imperial Bank of Commerce (R-1 High)	Open	123,673,522	20%				
CIBC - Instruments		0					
CIBC - Account		123,673,522					
Royal Bank (R-1 High)	Open	124,014,416	20%				
RBC - Instruments		0					
RBC - Account		124,014,416					
Toronto Dominion (R-1 High)	Open	123,431,751	20%				
TD - Instruments		0					
TD - Account		123,431,751					
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>144,415</b>	<b>0%</b>	<b>154,893,694</b>	<b>25%</b>	<b>154,749,279</b>	<b>25%</b>
National Bank of Canada (R-1 Mid)	Open	144,415	0%				
OMERS Realty Corporation (R-1 High)	Open	0	0%				
CDP Financial Inc (R-1 High)	Open	0	0%				
Desjardins Total		0	0%				
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>619,568,367</b>	<b>100%</b>				
<b>Federal Government &amp; its Guarantees</b>							
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>90,451,298</b>	<b>20%</b>	<b>90,451,298</b>	<b>20%</b>
<b>Reserves - Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>163,944,195</b>	<b>100%</b>	<b>163,944,195</b>	<b>100%</b>
Canada Mortgage & Housing Corp.		0	0%	163,944,195	100%	163,944,195	100%
<b>Provincial Government &amp; their Guarantees</b>		<b>0</b>	<b>0%</b>	<b>90,451,298</b>	<b>20%</b>	<b>90,451,298</b>	<b>20%</b>
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>90,451,298</b>	<b>20%</b>	<b>57,662,459</b>	<b>13%</b>
Alberta		0	0%	45,225,649	10%	45,225,649	10%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	45,225,649	10%	45,225,649	10%
Manitoba		0	0%	45,225,649	10%	45,225,649	10%
New Brunswick		0	0%	45,225,649	10%	45,225,649	10%
Nova Scotia		0	0%	45,225,649	10%	45,225,649	10%
Ontario		0	0%	45,225,649	10%	45,225,649	10%
Quebec		0	0%	45,225,649	10%	45,225,649	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	45,225,649	10%	45,225,649	10%
<b>Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>32,788,839</b>	<b>20%</b>	<b>32,788,839</b>	<b>20%</b>
Alberta		0	0%	16,394,420	10%	16,394,420	10%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	16,394,420	10%	16,394,420	10%
Manitoba		0	0%	16,394,420	10%	16,394,420	10%
New Brunswick		0	0%	16,394,420	10%	16,394,420	10%
Nova Scotia		0					
Ontario		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Financement Quebec		0	0%	16,394,420	10%	16,394,420	10%
Hydro Quebec		0	0%	16,394,420	10%	16,394,420	10%
Saskatchewan		0	0%	16,394,420	10%	16,394,420	10%
<b>Total Fixed</b>		<b>0</b>	<b>0%</b>	<b>32,788,839</b>	<b>20%</b>	<b>32,788,839</b>	<b>20%</b>
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>619,574,777</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		61,122,670	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>680,697,447</b>					

# Attachment 2

## Total Portfolio Sector Weights @ September 30, 2020

## SCHEDULE A

Category	Status	Cumulative Amount Invested @ Book Value	% of Portfolio	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>0</b>	<b>0%</b>	<b>460,770,757</b>	<b>100%</b>	<b>460,770,757</b>	<b>100%</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	0	0%				
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>47,855,866</b>	<b>10%</b>	<b>460,770,757</b>	<b>100%</b>	<b>412,914,891</b>	<b>90%</b>
Total Alberta (R-1 High)	Open	5,305,824	1%				
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	0%				
Manitoba (R-1 Mid)	Open	0	0%				
New Brunswick (R-1 Mid)	Open	0	0%				
Nova Scotia (R-1 Mid)	Open	0	0%				
Ontario (R-1 Mid)	Open	9,824,600	2%				
Quebec (R-1 Mid)	Open	32,725,442	7%				
Quebec		32,725,442					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan (R-1 High)	Open	0	0%				
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>	<b>0%</b>	<b>115,192,689</b>	<b>25%</b>	<b>115,192,689</b>	<b>25%</b>
Calgary (R-1 High)	Open	0	0%	46,077,076	10%	46,077,076	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>412,908,481</b>	<b>90%</b>	<b>230,385,379</b>	<b>50%</b>	<b>-182,523,103</b>	<b>-40%</b>
	<b>BA's Schedule A</b>						
	<b>Canadian Banks R-1</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>412,763,768</b>	<b>90%</b>	<b>230,385,379</b>	<b>50%</b>	<b>-182,378,390</b>	<b>-40%</b>
Bank of Montreal (R-1 High)	Open	99,997,985	22%				
BMO - Instruments		0					
BMO - Account		99,997,985					
Bank of Nova Scotia (R-1 High)	Open	14,449,768	3%				
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	25%				
CIBC - Instruments		0					
CIBC - Account		113,968,069					
Royal Bank (R-1 High)	Open	114,272,465	25%				
RBC - Instruments		0					
RBC - Account		114,272,465					
Toronto Dominion (R-1 High)	Open	70,075,480	15%				
TD - Instruments		0					
TD - Account		70,075,480					
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>144,714</b>	<b>0%</b>	<b>115,192,689</b>	<b>25%</b>	<b>115,047,975</b>	<b>25%</b>
National Bank of Canada (R-1 Mid)	Open	144,714	0%				
OMERS Realty Corporation (R-1 High)	Open	0	0%				
CDP Financial Inc (R-1 High)	Open	0	0%				
Desjardins Total	Open	0	0%				
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<b>460,764,347</b>	<b>100%</b>				
<b>Federal Government &amp; its Guarantees</b>							
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>58,690,494</b>	<b>20%</b>	<b>58,690,494</b>	<b>20%</b>
<b>Reserves - Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>163,944,195</b>	<b>100%</b>	<b>163,944,195</b>	<b>100%</b>
Canada Mortgage & Housing Corp.		0	0%	163,944,195	100%	163,944,195	100%
<b>Provincial Government &amp; their Guarantees</b>		<b>0</b>	<b>0%</b>	<b>58,690,494</b>	<b>20%</b>	<b>58,690,494</b>	<b>20%</b>
<b>Money Market</b>		<b>0</b>	<b>0%</b>	<b>58,690,494</b>	<b>20%</b>	<b>25,901,655</b>	<b>9%</b>
Alberta		0	0%	29,345,247	10%	29,345,247	10%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	29,345,247	10%	29,345,247	10%
Manitoba		0	0%	29,345,247	10%	29,345,247	10%
New Brunswick		0	0%	29,345,247	10%	29,345,247	10%
Nova Scotia		0	0%	29,345,247	10%	29,345,247	10%
Ontario		0	0%	29,345,247	10%	29,345,247	10%
Quebec		0	0%	29,345,247	10%	29,345,247	10%
Quebec		0					
Financement Quebec		0					
Hydro Quebec		0					
Saskatchewan		0	0%	29,345,247	10%	29,345,247	10%
<b>Bond Pool</b>		<b>0</b>	<b>0%</b>	<b>32,788,839</b>	<b>20%</b>	<b>32,788,839</b>	<b>20%</b>
Alberta		0	0%	16,394,420	10%	16,394,420	10%
Alberta		0					
Alberta Capital Finance Authority		0					
Alberta Treasury Branches		0					
British Columbia		0	0%	16,394,420	10%	16,394,420	10%
Manitoba		0	0%	16,394,420	10%	16,394,420	10%
New Brunswick		0	0%	16,394,420	10%	16,394,420	10%
Nova Scotia		0					
Ontario		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Quebec		0	0%	16,394,420	10%	16,394,420	10%
Financement Quebec		0	0%	16,394,420	10%	16,394,420	10%
Hydro Quebec		0	0%	16,394,420	10%	16,394,420	10%
Saskatchewan		0	0%	16,394,420	10%	16,394,420	10%
<b>Total Fixed</b>		<b>0</b>	<b>0%</b>	<b>32,788,839</b>	<b>20%</b>	<b>32,788,839</b>	<b>20%</b>
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>460,770,757</b>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		53,355,503	*				
<b>Total Investments and O/S Cheques Coverage</b>		<b>514,126,260</b>					

## Appendix A

Economic Statistics	Canada – Q2			Canada – Q3			United States		
	Apr	May	June	Jul	Aug	Sept	Jul	Aug	Sept
Unemployment Rate	13.0%	13.7%	12.3%	10.2%	9.0%	10.2%	3.6%	3.5%	4.4%
Jobs Created / (Lost) ('000's)	(1993.8)	289.6	952.9	418.5	245.8	378.2	1761	1493	672
Core Inflation Rate (year over year)	(0.2%)	(0.4%)	0.7%	0.1%	0.1%	0.5%	1.0	1.3%	1.4%

Date	Central Bank	Central Bank Action
Dec 4, 2019	Bank of Canada	Maintained overnight rate at 1.75%
Dec 11, 2019	U.S. Federal Open Market Committee	Maintained target range to 1.5% - 1.75%
Jan 22, 2020	Bank of Canada	Maintained overnight rate at 1.75%
Jan 29, 2020	U.S. Federal Open Market Committee	Maintained target range to 1.5% - 1.75%
Mar 3, 2020	U.S. Federal Open Market Committee	Lowered target range to 1.0% to 1.25%
Mar 4, 2020	Bank of Canada	Lowered overnight rate to 1.25%
Mar 13, 2020	Bank of Canada	Lowered overnight rate to .075%
Mar 15, 2020	U.S. Federal Open Market Committee	Lowered target range to 0.0% to 0.25%
Mar 27, 2020	Bank of Canada	Lowered overnight rate to 0.25%
Apr 15, 2020	Bank of Canada	Maintains overnight rate at 0.25%
Apr 29, 2020	U.S. Federal Open Market Committee	Maintained target range to 0.0% to 0.25%
June 3, 2020	Bank of Canada	Maintains overnight rate at 0.25%
Jun 10, 2020	U.S. Federal Open Market Committee	Maintained target range to 0.0% to 0.25%
July 15, 2020	Bank of Canada	Maintains overnight rate at 0.25%
July 29, 2020	U.S. Federal Open Market Committee	Maintained target range to 0.0% to 0.25%
Sept 9, 2020	Bank of Canada	Maintains overnight rate at 0.25%
Oct 28, 2020	Bank of Canada	Maintains overnight rate at 0.25%

List of Eligible Investments

The Government of Canada & Its Guarantees:

Federal Government

Business Development Bank

Canada Mortgage & Housing Corporation

Canadian Wheat Board

Export Development Canada

Farm Credit Corporation

Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees

The Province of British Columbia & Its Guarantees

The Province of Manitoba & Its Guarantees

The Province of New Brunswick & Its Guarantees

The Province of Ontario & Its Guarantees

The Province of Quebec & Its Guarantees

The Province of Saskatchewan & Its Guarantees

The Province of Nova Scotia

Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees

Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees

The Bank of Nova Scotia & Its Guarantees

Canadian Imperial Bank of Commerce & Its Guarantees

Royal Bank of Canada & Its Guarantees

Toronto Dominion Bank & Its Guarantees

Financial Institutions & Corporations (Tier 2):

Desjardins Group

Caisse Centrale Desjardins

CDP Financial Inc.

National Bank of Canada

OMERS Finance Trust

**Dominion Bond Rating Service (DBRS) Rating Scale**

**R-1 (high)**

Short-term debt rated R-1 (high) is of the highest credit quality, and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

**R-1 (middle)**

Short-term debt rated R-1 (middle) is of superior credit quality and, in most cases, ratings in this category differ from R-1 (high) credits by only a small degree. Given the extremely tough definition DBRS has established for the R-1 (high) category, entities rated R-1 (middle) are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

**R-1 (low)**

Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.