



Financial Statements

Canadian Investor Protection Fund

December 31, 2011

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Independent Auditor's Report

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To the Board of Directors of the
Canadian Investor Protection Fund

We have audited the accompanying financial statements of the **Canadian Investor Protection Fund**, which comprise the balance sheet as at December 31, 2011, the statements of revenues and expenses and general fund balance, investment in capital assets fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Canadian Investor Protection Fund** as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Ontario
April 3, 2012

Chartered Accountants
Licensed Public Accountants

Canadian Investor Protection Fund

Balance Sheet

December 31

2011

2010

Assets

Cash	\$	304,155	\$	284,663
Prepaid insurance and recoverables		317,756		169,644
Investments, at fair value (Note 3)		416,912,306		385,179,303
Member assessments receivable		2,447,815		1,992,039
Capital assets (Note 4)		<u>219,867</u>		<u>487,714</u>
	\$	<u>420,201,899</u>	\$	<u>388,113,363</u>

Liabilities

Payables and accruals	\$	586,749	\$	787,490
Employee future benefits (Note 6)		5,446,100		5,062,900
Provision for claims and related expenses (Note 9)		4,631,000		117,000
Deferred lease inducements		<u>48,371</u>		<u>72,556</u>
		<u>10,712,220</u>		<u>6,039,946</u>

Fund balances

Investment in Capital Assets (Note 4)		<u>219,867</u>		<u>487,714</u>
General (Note 5)				
Cumulative excess of revenues over expenses (excluding unrealized gains and losses) and interfund transfers		376,932,928		363,211,088
Cumulative net unrealized gains and losses on investments		<u>32,336,884</u>		<u>18,374,615</u>
		<u>409,269,812</u>		<u>381,585,703</u>
	\$	<u>420,201,899</u>	\$	<u>388,113,363</u>

Commitments (Note 8)
Contingencies (Note 10)

On behalf of the Board

Director



Director



See accompanying notes to the financial statements.

Canadian Investor Protection Fund

Statements of Revenues and Expenses and General Fund Balance

Year Ended December 31	2011	2010
Revenues		
Regular assessments	\$ 8,405,262	\$ 7,479,563
Assessments for capital deficiencies	293,200	66,700
Investment income	<u>14,351,048</u>	<u>13,689,308</u>
	<u>23,049,510</u>	<u>21,235,571</u>
Expenses		
Salaries and employee benefits	2,900,416	2,663,967
Pension and other employment benefits	513,200	550,916
Directors' fees, travel and education	402,013	354,465
Professional fees	331,688	563,349
Occupancy	312,894	298,884
Bank lines of credit fees and insurance	1,141,870	1,028,539
Communications	72,892	98,382
Computer server hosting and maintenance	127,518	128,932
Custodial fees	95,916	87,631
Other operating costs	<u>291,953</u>	<u>282,111</u>
	<u>6,190,360</u>	<u>6,057,176</u>
Excess of revenues over expenses before provision for claims	16,859,150	15,178,395
Provision (recovery) for claims	<u>3,104,807</u>	<u>(2,221,000)</u>
Excess of revenues over expenses	<u>\$ 13,754,343</u>	<u>\$ 17,399,395</u>
<hr/>		
General Fund, beginning of year	\$ 381,585,703	\$ 359,495,422
Reclassification to earnings of opening unrealized gains and losses for investments maturing in the year	(219,686)	(253,111)
Unrealized gains on investments arising during the year	14,181,954	5,186,052
Transfer to the Investment in Capital Assets Fund for capital asset additions	(32,502)	(242,055)
Excess of revenues over expenses	<u>13,754,343</u>	<u>17,399,395</u>
General Fund, end of year	<u>\$ 409,269,812</u>	<u>\$ 381,585,703</u>

See accompanying notes to the financial statements.

Canadian Investor Protection Fund

Statement of Investment in Capital Assets Fund

Year Ended December 31

2011

2010

Investment in Capital Assets Fund, beginning of year	\$ 487,714	\$ 490,183
Transfer from the General Fund for capital asset additions	32,502	242,055
Amortization of capital assets	<u>(300,349)</u>	<u>(244,524)</u>
Investment in Capital Assets Fund, end of year	\$ <u>219,867</u>	\$ <u>487,714</u>

See accompanying notes to the financial statements.

Canadian Investor Protection Fund

Statement of Cash Flows

Year Ended December 31

2011

2010

Increase (decrease) in cash

Operating activities		
Excess of revenues over expenses	\$ 13,754,343	\$ 17,399,395
Interest accrued	126,713	(378,522)
Bond premium amortization	1,489,713	1,601,975
Change in:		
Prepaid insurance and recoverables	(148,113)	2,563
Member assessments receivable	(455,776)	6,331
Payables and accruals	(200,741)	355,918
Employee future benefits	383,200	420,900
Provision for claims and related expenses	4,514,000	(336,000)
Deferred lease inducements	(24,185)	(24,186)
	<u>19,439,154</u>	<u>19,048,374</u>
Investing activities		
Purchases of capital assets	(32,502)	(242,055)
Purchases of investments	(121,864,435)	(89,283,527)
Proceeds from maturities and sale of investments	<u>102,477,275</u>	<u>70,496,091</u>
	<u>(19,419,662)</u>	<u>(19,029,491)</u>
Net increase in cash	19,492	18,883
Cash, beginning of year	<u>284,663</u>	<u>265,780</u>
Cash, end of year	\$ <u>304,155</u>	\$ <u>284,663</u>

See accompanying notes to the financial statements.

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

1. Organization

The Canadian Investor Protection Fund (the "Fund" or "CIPF") was established in 1969 by an Agreement and Declaration of Trust, by its sponsoring Self-Regulatory Organizations ("SROs"), to protect customers who have suffered financial loss due to the insolvency of a Member of any one of the sponsoring SROs.

Effective January 1, 2002, an industry agreement (the "Original Industry Agreement") was established between the SROs and CIPF, replacing the Agreement and Declaration of Trust. The parties to this agreement included the Investment Dealers Association of Canada ("IDA") and CIPF.

Effective June 1, 2008, the IDA combined with Market Regulation Services Inc. to become the Investment Industry Regulatory Organization of Canada ("IIROC"). At that time, IIROC was the only SRO and sponsor of CIPF that carried on Member regulation activities in respect of its Members, and accordingly IIROC and CIPF agreed that the Original Industry Agreement be terminated and replaced by a new Industry Agreement (the "Industry Agreement") effective September 29, 2008. The parties to the new Industry Agreement are IIROC and CIPF. Throughout these financial statements the reference to Member means a Dealer Member of IIROC.

CIPF is a not-for-profit member corporation, as described in Section 149(1)(l) of the Income Tax Act and, as such, is not subject to either federal or provincial income taxes.

2. Summary of significant accounting policies

CIPF follows accounting principles appropriate for not-for-profit organizations, in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

General Fund

The purpose of the General Fund is to provide protection to customers of Members who, in the opinion of the Directors of the Fund, have suffered or may suffer financial loss as a result of the insolvency of the Member, all on such terms and conditions as may be determined by the Fund and in the sole discretion of the Directors.

In the event of Member insolvencies, the claims against the Fund are limited to the financial losses suffered by customers of Members solely as a result of the insolvency of a Member. In the event that CIPF would be unable to satisfy such claims in their entirety, the Board would determine over what period to assess Members to make up the shortfall.

Investment in Capital Assets Fund

The Investment in Capital Assets Fund represents the Fund's unamortized balance of its capital assets.

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant area requiring the use of estimates is provision for claims and related expenses. Actual results could differ from those estimates.

Financial Instruments

The Fund's financial instruments consist of cash, investments, member assessments receivable and payables and accruals. The Fund has chosen to apply the Canadian Institute of Chartered Accountants Handbook Section 3861 "Financial Instruments – Disclosure and Presentation" to disclose its financial instruments.

The Fund designates its cash as held for trading, which is measured at fair value. Member assessments receivable are classified as loans and receivables, which are measured at amortized cost. Payables and accruals are classified as other financial liabilities, which are measured at amortized cost. Investments are classified as available-for-sale and stated at fair value.

Cash

Cash includes cash on hand and cash balances in bank and investment accounts.

Investments

Investments are comprised of fixed income instruments and are carried at fair value. Unrealized gains and losses resulting from the difference between fair value and amortized cost are recorded in the General Fund balance until realized or until the asset is other than temporarily impaired, at which time they are recorded in excess of revenues over expenses.

Regular assessments and assessments for capital deficiencies

Regular assessment amounts are set by the Board of Directors and are payable by Members each quarter. The assessment amount assessed by the Board is allocated to each Member based on a differential rate, which is derived from a Member's risk relative to other Members. Regular assessments are subject to a minimum and maximum amount. New members pay twice their regular assessment for the first three years of membership.

Additional assessments are paid by Members that have incurred capital deficiencies.

The Industry Agreement provides for a limit on assessments in any calendar year such that no Member shall be assessed more than 1% of its aggregate gross revenues (maximum amount) unless an additional amount is required to either cover the operational expenses of the Fund or to permit the Fund to meet its obligations under its bank lines of credit. This limit does not apply to the minimum, new member and capital deficiency assessments.

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Regular assessments and assessments for capital deficiencies are recorded in these financial statements when they are assessed. As provided for in the Industry Agreement, the assessments are collected by IIROC on behalf of the Fund. IIROC is required, under the terms of the Industry Agreement, to pay to CIPF the amount of the assessments (whether or not collected from Members).

Investment income

Investment income includes interest earned, net of any amortization of bond premiums or discounts using the effective interest rate method, plus realized gains and losses on maturity or sale of an investment.

Provision for claims and related expenses

Provision for claims from customers of insolvent Members and related expenses, such as trustee's fees, are charged to the General Fund balance when the Fund is notified of potential claims and expects to incur the related expenses. Recoveries of amounts accrued with respect to customers' claims and administrative costs are included in the General Fund balance when reasonably determinable. No amounts are set aside to cover possible losses and customer claims not yet reported.

Capital assets

Capital assets are recorded at cost and amortized in the Investment in Capital Assets Fund on the following basis:

Office furniture and equipment	- Straight-line method over 5 years
Leasehold improvements	- Straight-line method over the term of the lease
Computers and software development	- Straight-line method over 3 years

Deferred lease inducements

Deferred lease inducements are taken into income over the term of the lease.

Employee future benefits

The Fund accrues its obligations under employee future benefit plans and the related costs, net of plan assets, as follows:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.
- Past service costs for plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the accrued benefit obligation is amortized over the estimated average remaining service period of active employees.

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Future accounting changes

On December 31, 2010, the Accounting Standards Board issued Part III of the Accounting Handbook: Accounting Standards for Not-for-Profit Organizations ("ASNPO"). The standards are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2012. The standards are applicable to all not-for-profit organizations. Not-for-profit organizations maintain the option to adopt International Financial Reporting Standards. Early adoption is permitted. The Fund has decided to adopt Part III ASNPO for the fiscal year beginning January 1, 2012.

3. Investments

The investments are held by CIBC Mellon Global Securities Company as custodian.

The following table discloses the fair value, maturity and average yields to maturity of the Fund's investments at December 31, 2011. The weighted average yield to maturity of the portfolio at December 31, 2011 is 1.65% (2010 – 2.53%).

	2011				Total Fair Value	2010
	Maturity					Total Fair Value
	Less than 1 year	1 year to 3 years	3 years to 5 years	More than 5 years		
Treasury bills	\$ 35,059,591	\$ -	\$ -	\$ -	\$ 35,059,591	\$ 36,249,459
Yield	0.87%	-	-	-	0.87%	1.11%
Canada bonds	31,495,371	42,856,814	18,097,297	76,545,245	168,994,727	159,682,078
Yield	1.06%	0.99%	1.11%	1.84%	1.40%	2.18%
Provincial bonds	-	21,193,807	82,013,549	109,650,632	212,857,988	189,247,766
Yield	-	1.19%	1.65%	2.39%	1.98%	3.10%
	<u>\$ 66,554,962</u>	<u>\$ 64,050,621</u>	<u>\$ 100,110,846</u>	<u>\$ 186,195,877</u>	<u>\$ 416,912,306</u>	<u>\$ 385,179,303</u>

4. Capital assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$ 306,566	\$ 303,777	\$ 2,789	\$ 9,309
Leasehold improvements	275,699	212,215	63,484	95,227
Computers and software development	<u>1,036,512</u>	<u>882,918</u>	<u>153,594</u>	<u>383,178</u>
	<u>\$ 1,618,777</u>	<u>\$ 1,398,910</u>	<u>\$ 219,867</u>	<u>\$ 487,714</u>

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

5. Bank lines of credit and insurance

The Fund has lines of credit provided by two Canadian chartered banks totalling \$125 million (2010 – \$100 million). IIROC has guaranteed these lines of credit by pledging its ability to assess Members.

The Fund By-laws limit the aggregate amount of borrowings the Fund may have, which is equal to 1 1/2% of the prior year's aggregate gross revenues of all Members. The limit on the amount of borrowings for 2012 will be \$241.5 million, and was \$238.2 million for 2011.

The Fund has arranged insurance in the amount of \$116 million for any one loss and in the annual aggregate in respect of losses to be paid by the Fund in excess of \$100 million in the event of Member insolvency.

6. Employee future benefits

The Fund has provided retirement benefits to a retired employee since September 1, 1998. Assets of the Fund have not been segregated for this obligation.

The Fund established a Supplementary Executive Retirement Plan (SERP) for certain executives effective April 9, 2002. This plan is not registered under the Income Tax Act nor is it funded.

The Fund provides extended health benefits on retirement to all employees who retire on or after age 55 with service greater than ten years. These extended health benefits terminate at age 75. This plan is not funded.

The most recent actuarial valuation of the pension benefit plan and the SERP for accounting purposes was made on December 31, 2011, and the most recent actuarial valuation of the health benefit plan for accounting purposes was made on December 31, 2011.

In addition to these plans for which the liability and expense is summarized below, the Fund also established a Group RSP that is funded on a defined contribution basis for all employees effective January 1, 2003. Contributions paid and expensed by the Fund for the year ended December 31, 2011 amounted to \$112,700 (2010 – \$103,900).

The Fund's net benefit plan expense, which is recorded in pension and other employment benefits expenses, and the annual contributions are as follows:

	2011				2010
	Pension	SERP	Other	Total	Total
Net benefit plan expense	\$ <u>75,000</u>	\$ <u>412,900</u>	\$ <u>25,300</u>	\$ <u>513,200</u>	\$ <u>550,916</u>
Benefits paid	\$ <u>125,000</u>	\$ <u>-</u>	\$ <u>5,000</u>	\$ <u>130,000</u>	\$ <u>130,015</u>

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

6. Employee future benefits (continued)

Information about the Fund's defined benefit plans as at December 31 is as follows:

	2011				2010
	Pension	SERP	Other	Total	Total
Accrued benefit obligation					
Balance at end of year	\$ <u>1,769,800</u>	\$ <u>5,729,500</u>	\$ <u>199,300</u>	\$ <u>7,698,600</u>	\$ <u>5,593,500</u>
Funded status					
Plan deficit	\$ 1,769,800	\$ 5,729,500	\$ 199,300	\$ 7,698,600	\$ 5,593,500
Unamortized past service costs	-	(143,400)	-	(143,400)	(167,800)
Unamortized net actuarial losses	<u>(533,300)</u>	<u>(1,538,700)</u>	<u>(37,100)</u>	<u>(2,109,100)</u>	<u>(362,800)</u>
Accrued benefit liability	\$ <u>1,236,500</u>	\$ <u>4,047,400</u>	\$ <u>162,200</u>	\$ <u>5,446,100</u>	\$ <u>5,062,900</u>

The significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations are as follows:

	Pension benefit plan		SERP		Other benefit plan	
	2011	2010	2011	2010	2011	2010
Discount rate	3.3%	5.0%	3.3%	5.0%	3.3%	5.0%
Rate of compensation increase	-	-	3.0%	3.0%	-	-

7. Investment in shares of the Canadian Depository for Securities Limited

In 1982, the IDA, the TSX, The Montréal Exchange and the Vancouver Stock Exchange gifted their investments in the Canadian Depository for Securities Limited to the Fund. These investments are in the form of 2,690,834 non-voting, non-cumulative, redeemable preference shares and, as the Fund received the shares at no cost and they have no quoted market value, the investments are not reflected in these financial statements.

8. Lease commitments

At December 31, 2011 the Fund has future minimum annual lease commitments on office space, office equipment and information technology services as follows:

2012	278,700
2013	268,700
2014	<u>68,500</u>
	\$ <u>615,900</u>

The Fund is also committed to its share of operating costs and taxes with respect to the office lease, which approximates \$178,000 per year.

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

9. Provision for claims and related expenses

Three Member insolvencies are under the administration of trustees in bankruptcy at December 31, 2011 and the provision for claims and related expenses for these insolvencies are as follows:

	<u>2011</u>	<u>2010</u>
Rampart Securities Inc. (a)	\$ -	\$ -
Thomson Kernaghan & Co. Limited (b)	1,831,000	117,000
MF Global Canada Co. (c)	<u>2,800,000</u>	<u>-</u>
	\$ <u>4,631,000</u>	\$ <u>117,000</u>

(a) Rampart Securities Inc.

Rampart Securities Inc. ("Rampart") was suspended by the IDA on August 14, 2001, and a trustee in bankruptcy was appointed on October 24, 2001. CIPF made initial advances to the trustee in bankruptcy of \$10.1 million, and recovered \$7.0 million. Outstanding litigation on the Rampart estate was settled in 2010, and the estate is in the process of winding down.

(b) Thomson Kernaghan & Co. Limited

Thomson Kernaghan & Co. Limited ("TK") was suspended by the IDA on July 11, 2002 and a trustee in bankruptcy was appointed on July 12, 2002. CIPF made initial advances of \$19.1 million to the trustee in bankruptcy and has recovered \$18 million excluding the funds received pursuant to a court order described below.

CIPF received \$1.8 million in 2011 from the liquidation of unclaimed cash and securities pursuant to a court order that requires CIPF recognize and pay valid claims for a period of two years, which will end on November 26, 2012. The estate is in the process of winding down.

(c) MF Global Canada Co.

MF Global Canada Co. ("MFGC") was suspended by IIROC on November 1, 2011 and a trustee in bankruptcy was appointed on November 4, 2011.

The court approved a bulk transfer of certain customer accounts to another Member and cash payments to customers with foreign exchange accounts. CIPF entered into a support agreement with the trustee in bankruptcy to allow for the transfers at 100% of the net equity and to provide surplus funding for futures customers if the value in their accounts on the date of transfer exceeded the value on the date of insolvency.

On or about February 17, 2012 the trustee in bankruptcy mailed a package to all known customers of MFGC calling for claims pursuant to a court order and claims must be filed by May 10, 2012.

Provision has been made only in respect of third party costs expected to be incurred by CIPF on the estate and the amount of the surplus funding to certain customers.

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

10. Contingencies

As described in Note 1, the Fund was established to protect customers who have suffered financial loss due to the insolvency of a Member of IIROC. The Fund's accounting policy as described in Note 2 is to provide for all potential claims and related expenses when the Fund is notified of potential claims and expects to incur the related expenses.

As disclosed in Note 9, a trustee in bankruptcy was appointed on November 4, 2011 for MF Global Canada Co. ("MFGC") and the trustee in bankruptcy has called for claims. Until such time as the claim forms for MFGC are returned to the trustee in bankruptcy, reviewed and assessed, CIPF does not believe it is possible to make a reliable estimate of the amount of potential claims payable by the Fund.

There is pending litigation between the trustee in bankruptcy of MFGC and the trustee of its U.S. affiliate, MF Global Inc. ("MFGI"), concerning the interpretation of the omnibus account agreements between MFGC and MFGI, which is before the Ontario Supreme Court overseeing the bankruptcy of MFGC. If this case is resolved to the detriment of the MFGC estate, the estimated exposure to CIPF would be \$31 million. CIPF will be a participant in this litigation, and while it is still in its early stages and management cannot predict the outcome, based on management's current assessment of the merits of such claims and litigation, management believes that the most likely outcome will be that the litigation will not have a material negative effect on the Fund's financial position. CIPF management believes that the trustee in bankruptcy and CIPF have a strong case and CIPF intends to vigorously defend that position.

11. Financial instruments

The fair value of a financial instrument is the estimated amount the Fund would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair value of cash, member assessments receivable, and payables and accruals approximates their carrying value due to the immediate or short-term nature of these financial instruments.

The fair value of the Fund's fixed income investments are determined by reference to published bid price quotations at year-end. These investments have maturity dates and effective interest rates as disclosed in Note 3.

The fair value of the Fund's investment in shares of the Canadian Depository for Securities Limited is not reasonably determinable.

Risk Management

Risk management relates to the understanding and active management of risks associated with invested assets. Investments can be exposed to interest rate, credit, market and currency risk. The Fund manages its exposure to the risks associated with its investment portfolio by following the Board-approved investment policy that restricts the types and amounts of its eligible investments and requires dealing with highly rated counterparties. The policy requires

Canadian Investor Protection Fund

Notes to the Financial Statements

December 31, 2011

11. Financial instruments (continued)

that at least 50% of investments be held in Government of Canada issued or guaranteed instruments, with the balance in provincial or territorial government issued or guaranteed instruments, and a maximum exposure to any one province or territory of 20% of the portfolio. The policy provides for investing in a laddered portfolio with a maximum term to maturity of 11 years, with a minimum of 15% of the investments held in short-term instruments to meet liquidity needs.

Significant risks that are relevant to the Fund's investments are as follows:

Interest rate

Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The Fund manages the interest rate risk exposure of its investment portfolio by following the investment policy described above and by holding all investments until maturity, unless required to make a payment in accordance with the mandate of the Fund.

Credit risk

Credit rate risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations. The Fund manages the credit rate risk exposure of its investment portfolio by following the investment policy described above.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market conditions, whether these changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Fund manages the market risk exposure of its investment portfolio by following the investment policy described above.

Currency risk

Currency risk is the risk that the fair value of financial instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. All assets and liabilities of the Fund are denominated in Canadian dollars and as such are not subject to currency risk.

12. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial presentation adopted in the current year.