

**Financial Statements of**

**NEW BRUNSWICK INVESTMENT  
MANAGEMENT CORPORATION**

**Year ended March 31, 2005**

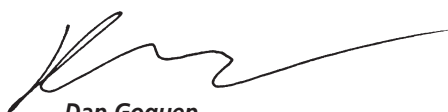
## MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The Financial Statements of the New Brunswick Investment Management Corporation are the responsibility of the management of the Corporation. They have been approved by its Board of Directors.

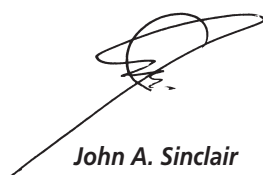
Management prepared the financial statements in accordance with generally accepted accounting principles.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.



**Dan Goguen**  
Vice-President, Finance and Administration



**John A. Sinclair**  
President and Chief Executive Officer

## AUDITORS' REPORT To the Directors of New Brunswick Investment Management Corporation

We have audited the statement of financial position of New Brunswick Investment Management Corporation as at March 31, 2005 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



*KPMG LLP*  
Chartered Accountants

Fredericton, NB, Canada  
May 5, 2005

**NEW BRUNSWICK  
INVESTMENT MANAGEMENT CORPORATION  
Financial Statements**

Year ended March 31, 2005

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# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

## Statement of Financial Position

March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Assets</b>		
Current assets:		
Cash	\$ 60,930	\$ 4,950
Accounts receivable, Pension Funds	2,080,572	2,063,620
Other receivables	18,360	8,587
Prepaid expenses	263,233	273,489
	2,423,095	2,350,646
Capital assets (note 3)	241,030	286,828
	\$ 2,664,125	\$ 2,637,474
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,936,940	\$ 1,929,630
Harmonized Sales Tax	96,073	75,042
Current portion of pension liability (note 5)	22,530	22,149
	2,055,543	2,026,821
Pension liability (note 5)	301,199	323,825
Employee future benefit liability (note 6)	66,353	-
Deferred contributions related to capital assets (note 7)	241,030	286,828
Net assets	-	-
Commitment (note 4)		
	\$2,664,125	\$ 2,637,474

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



President and Chief Executive Officer

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Statement of Operations and Changes in Net Assets

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Revenue:</b>		
Fees:		
Public Service Superannuation Fund	\$ 4,603,007	\$ 4,651,713
Teachers' Pension Fund	4,066,065	4,161,675
Judges' Superannuation Fund	35,437	32,322
Amortization of deferred contributions related to capital assets	143,759	157,134
Other	905	34,197
	<u>8,849,173</u>	<u>9,037,041</u>
<b>Expenses:</b>		
Salaries and benefits	3,658,806	4,175,903
Other services (note 8)	4,988,264	4,635,285
Materials and supplies	58,344	68,719
Amortization of capital assets	143,759	157,134
	<u>8,849,173</u>	<u>9,037,041</u>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to financial statements.

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

## Notes to Financial Statements

Year ended March 31, 2005

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New Brunswick Investment Management Corporation (the "Corporation") was established pursuant to the New Brunswick Investment Management Corporation Act which was proclaimed on March 11, 1996. The Corporation is exempt from income taxes.

### Its legislated mandate is to:

- act as trustee for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund ("the Funds");
- provide investment counseling services and other services for certain trust funds;
- promote the development of the financial services industry and capital markets in the Province;
- have regard to investment opportunities in the Province in developing its investment policies, and;
- carry out such other activities or duties as may be authorized or required by the Act or as the Lieutenant-Governor in Council may direct.

### 1. Significant accounting policies:

#### (a) Accounting entity:

The Corporation is an entity separate from the pension funds for which it is trustee. Expenses of the Corporation are fully funded by the Funds.

#### (b) Basis of accounting:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### (c) Capital assets:

Capital assets are recorded at cost and amortization is calculated on a straight-line basis using annual rates shown in note 3.

#### (d) Revenue recognition:

Fees for services are recognized in revenue as services are performed and collection is probable.

The Corporation follows the deferral method of accounting for contributions. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding with amortization rates for the related capital assets.

### 2. Statement of Cash Flows:

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Notes to Financial Statements *(continued)*

Year ended March 31, 2005

#### 3. Capital assets:

				2005	2004
	Rate	Cost	Accumulated depreciation	Net book value	Net book value
Computer equipment	33 ⅓%	\$ 369,020	\$ 299,282	\$ 69,738	\$ 83,008
Furniture and equipment	8%	329,654	206,266	123,388	138,024
Leasehold improvements	10%	278,216	230,312	47,904	65,796
		\$ 976,890	\$ 735,860	\$ 241,030	\$ 286,828

#### 4. Commitments:

The Corporation leases premises and equipment under various operating leases which expire at various dates between 2006 and 2012.

Future minimum payments, by year and in aggregate, are as follows:

2006	\$ 245,700
2007	245,700
2008	245,700
2009	245,700
2010	245,700
Later years through 2012	450,450
	<hr/>
	\$ 1,678,950

#### 5. Pension liability:

The Corporation has an estimated liability of \$324,000 (2004 - \$346,000) and salary and benefit expense of nil (2004 - \$346,000) for special supplemental pension relating to past service awarded during 2003-2004. This amount is equivalent to the commuted value of the expected payments. The ultimate cost to the Corporation will vary based on the rise in the consumer price index and demographic factors. Changes in the expected liability are recorded in the period the change occurs. Payments to date and future payments will be received from an increase in the fees charged to the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund.

#### 6. Employee future benefits:

##### (a) Pension:

Full-time employees of the Corporation are covered by the Public Service Superannuation Plan (the "Plan") of the Province of New Brunswick. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Corporation and the employees. For the year ended March 31, 2005, the Corporation expensed contributions of \$178,895 under the terms of the Plan (2004 - \$191,774). The Corporation has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Notes to Financial Statements *(continued)*

Year ended March 31, 2005

#### 6. Employee future benefits (Continued):

##### b) Retirement allowance:

Full-time employees of the Corporation are entitled to be paid a retirement allowance upon their retirement based upon years of service. Over the service life of its employees, the Corporation accrues the estimated future liability based upon actuarial estimates and assumptions. The accrued liability is reduced by actual payments made. This is an unfunded program with no specific assets segregated to meet the obligations when they come due.

The significant assumptions used in determining the accrued benefit obligation are as follows:

	<b>Assumptions</b>
Annual discount rate	5.50%
Annual salary increases	3.00%
Mortality	None
Termination of employment	Public Service Superannuation Plan experience
Retirement age	15% at Age 57 60% at Age 60 25% at Age 63
Actuarial cost method	Projected Unit Credit pro-rated on service

Based upon an actuarial valuation dated March 31, 2005, the Corporation's accrued transitional obligation as of April 1, 2003, was \$118,300. This amount is being amortized on a straight-line basis over the estimated average remaining service life of active employees. The unamortized transitional obligation at March 31, 2005, is \$105,847.

The Corporation expensed \$66,353 during the year ended March 31, 2005, which includes current service cost, interest on the accrued liability and amortization of the transitional obligation.

#### 7. Deferred contributions related to capital assets:

	2005	2004
Balance, beginning of year	\$ 286,828	\$ 383,702
Additional contributions received, net	97,961	60,260
Less amounts amortized to revenue	(143,759)	(157,134)
Balance, end of year	\$ 241,030	\$ 286,828



## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Notes to Financial Statements *(continued)*

Year ended March 31, 2005

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#### 8. Other services:

	2005	2004
External management fees and expenses	\$ 2,954,067	\$ 2,743,700
Custodial services	185,932	160,346
Travel	193,566	209,316
Office rent	241,965	295,323
Professional services	281,923	242,594
Information systems	970,970	818,867
Other	159,841	165,139
	<hr/>	<hr/>
	\$ 4,988,264	\$ 4,635,285

#### 9. Fair value of financial assets and financial liabilities:

The fair value of the Corporation's cash, accounts receivable - Pension Funds, other receivables, accounts payable and accrued liabilities and pension liability approximate their carrying amounts.



**NEW BRUNSWICK  
INVESTMENT MANAGEMENT CORPORATION**  
**Financial Statements**

Year ended March 31, 2005

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- Public Service Superannuation Fund
- Teachers' Pension Fund
- Judges' Superannuation Fund

## MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The Financial Statements of the New Brunswick Investment Management Corporation are the responsibility of the management of the Corporation. They have been approved by its Board of Directors.

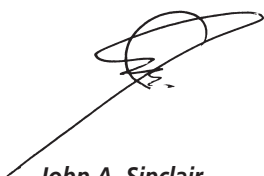
Management prepared the financial statements in accordance with generally accepted accounting principles.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.



**Dan Goguen**  
Vice-President, Finance and Administration



**John A. Sinclair**  
President and Chief Executive Officer

## AUDITORS' REPORT

To the Directors of New Brunswick Investment Management Corporation.

We have audited the statements of net assets held in trust by the New Brunswick Investment Management Corporation for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund as at March 31, 2005 and the statements of changes in net assets held in trust for the year then ended. These financial statements have been prepared to comply with section 27(1) of the *New Brunswick Investment Management Corporation Act*. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets held in trust by the New Brunswick Investment Management Corporation for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund as at March 31, 2005 and the changes in net assets held in trust for the year then ended in accordance with the basis of accounting as disclosed in note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Directors of New Brunswick Investment Management Corporation for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund and the Minister of Finance for the Province of New Brunswick for complying with section 27(1) of the *New Brunswick Investment Management Corporation Act*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

**KPMG LLP**

Chartered Accountants  
Fredericton, NB, Canada  
May 5, 2005



**NEW BRUNSWICK  
INVESTMENT MANAGEMENT CORPORATION**  
**Net Assets Held in Trust**  
**Financial Statements**

Year ended March 31, 2005

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## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Public Service Superannuation Fund Statement of Net Assets Held in Trust (in thousands of dollars)

March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Assets</b>		
Investments (note 3)	\$ 3,745,383	\$ 3,456,048
Contributions receivable	7,436	8,314
Other receivable	686	-
	3,753,505	3,464,362
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,956	1,429
<b>Net assets</b>	<b>\$ 3,751,549</b>	<b>\$ 3,462,933</b>

### Public Service Superannuation Fund Statement of Changes in Net Assets Held in Trust (in thousands of dollars)

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Increase in net assets:</b>		
Investment income (note 4)	\$ 293,477	\$ 701,030
Pension contributions from sponsor	123,019	118,672
Employer amortization contributions	49,968	47,452
	466,464	867,154
<b>Decrease in net assets:</b>		
Payments to sponsor for benefits	170,837	156,804
Payments to sponsor for expenses	2,342	2,106
Fees paid to NBIMC	4,669	5,184
	177,848	164,094
<b>Net increase</b>	<b>288,616</b>	<b>703,060</b>
<b>Net assets held in trust, beginning of year</b>	<b>3,462,933</b>	<b>2,759,873</b>
<b>Net assets held in trust, end of year</b>	<b>\$ 3,751,549</b>	<b>\$ 3,462,933</b>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



President and Chief Executive Officer

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Teachers' Pension Fund  
Statement of Net Assets Held in Trust  
(in thousands of dollars)**

March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Assets</b>		
Investments (note 3)	\$ 3,276,129	\$ 3,076,388
Contributions receivable	4,570	3,498
Other receivables	470	-
	3,281,169	3,079,886
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,313	1,183
<b>Net assets</b>	<b>\$ 3,279,856</b>	<b>\$ 3,078,703</b>

**Teachers' Pension Fund  
Statement of Changes in Net Assets Held in Trust  
(in thousands of dollars)**

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Increase in net assets:</b>		
Investment income (note 4)	\$ 256,748	\$ 615,592
Pension contributions from sponsor	68,487	67,933
Employer amortization contributions	72,630	68,975
	397,865	752,500
<b>Decrease in net assets:</b>		
Payments to sponsor for benefits	191,174	177,696
Payments to sponsor for expenses	1,277	1,195
Fees paid to NBIMC	4,261	4,637
	196,712	183,528
<b>Net increase</b>	<b>201,153</b>	<b>568,972</b>
<b>Net assets held in trust, beginning of year</b>	<b>3,078,703</b>	<b>2,509,731</b>
<b>Net assets held in trust, end of year</b>	<b>\$ 3,279,856</b>	<b>\$ 3,078,703</b>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



President and Chief Executive Officer

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Judges' Superannuation Fund Statement of Net Assets Held in Trust (in thousands of dollars)

March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Assets</b>		
Investments (note 3)	\$ 24,588	\$ 23,568
Contributions receivable	8	33
	24,596	23,601
<b>Liabilities</b>		
Accounts payable and accrued liabilities	14	9
<b>Net assets</b>	<b>\$ 24,582</b>	<b>\$ 23,592</b>

### Judges' Superannuation Fund Statement of Changes in Net Assets Held in Trust (in thousands of dollars)

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Increase in net assets:</b>		
Investment income (note 4)	\$ 2,033	\$ 5,146
Pension contributions from sponsor	252	258
	2,285	5,404
<b>Decrease in net assets:</b>		
Payments to sponsor for benefits	1,225	1,083
Payments to sponsor for expenses	29	13
Fees paid to NBIMC	41	35
	1,295	1,131
<b>Net increase</b>	<b>990</b>	<b>4,273</b>
<b>Net assets held in trust, beginning of year</b>	<b>23,592</b>	<b>19,319</b>
<b>Net assets held in trust, end of year</b>	<b>\$ 24,582</b>	<b>\$ 23,592</b>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



President and Chief Executive Officer



## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2005

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The assets of the Public Service Superannuation Fund, Teachers' Pension Fund and Judges' Superannuation Fund, ("the Funds") are held in trust by the New Brunswick Investment Management Corporation ("NBIMC"). NBIMC was appointed as trustee on March 11, 1996, by an Act of the New Brunswick Legislature which bears the Corporation's name (NBIMC Act) and assumed responsibility for the management of the Funds' assets effective April 1, 1996.

On April 1, 1998, the assets of the Funds were transferred to unit trust funds established by NBIMC. This portfolio structure facilitates the collective investment management and administration of the assets. There were 17 unit trust funds in place at year-end, each pool with a specific investment mandate. Each of the Funds holds units of the unit trust funds in accordance with the investment policy of the Funds.

#### **1. Basis of accounting:**

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the regulatory requirements under the New Brunswick Investment Management Corporation Act. The basis of accounting used in these financial statements differs materially from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the plan. Consequently, these financial statements do not purport to show the adequacy of the plan's assets to meet its pension obligations.

#### **2. Significant accounting policies:**

##### **(a) Accounting entity:**

These financial statements include information only about assets of the Funds under the management of NBIMC. The amounts of contributions to and payments from the Funds are determined by their Sponsor, the Province of New Brunswick. The Sponsor is responsible for the administration of collections from and payments to members.

##### **(b) Investments:**

All investments of the Funds are represented by holdings of units of the unit trust funds. The total value is based on the calculated net asset value multiplied by the number of units held. Investments in the unit trust funds are valued at their fair value as of the date of the financial statements. For securities listed on an exchange, market value is the closing price listed for the exchange. If no closing price is available, the average of the latest bid and ask price is used. Securities not listed on an exchange are valued based on a quotation service from a recognized dealer. Fair value for Private equity and Canadian real estate investments are estimated using a combination of methodology including future earnings expected, third party valuation and comparable recent transactions. Investments in money market instruments are reported at cost which approximates market value.

##### **(c) Foreign currency translation:**

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the date of the statement of net assets held in trust. Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in investment income.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2005

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#### 2. Significant accounting policies *(continued)*:

##### (d) Measurement uncertainty:

The preparation of financial statements in conformity with the disclosed basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Valuation of investments at market value is the most significant item where estimates are used. Actual results could differ from those estimates.

#### 3. Investments:

Investment assets of the Funds are held in the unit trust funds for which NBIMC is trustee.

Following is a description of each unit trust fund in existence during the year ended March 31, 2005:

##### **Nominal Bond:**

Invests primarily in investment grade bonds (a minimum of triple-B rated by a major rating agency) of G-7 countries and Canadian provinces paying a nominal rate of interest. The return objective is to add 20 basis points to its benchmark, the Scotia Capital All Government Index, over a four-year moving average.

##### **New Brunswick Fixed Income Opportunity:**

Invests primarily in fixed income issues to finance economic activity in New Brunswick. The return objective is to add 20 basis points to its benchmark, the Scotia Capital All Government Index, over a four-year moving average.

##### **Inflation Linked Securities:**

Invests primarily in fixed income instruments that are adjusted for inflation of G-7 countries. The return objective is to add 10 basis points to its benchmark, the Scotia Capital Real Return Bond Index, over a four-year moving average.

##### **Money Market:**

Invests primarily in fixed income securities having a maturity of less than one year. The return objective is to add 20 basis points to its benchmark. Prior to November 9, 2004, the benchmark was calculated at 80% of the Scotia Capital 91-Day Treasury Bill Index and 20% of the Call Loan Rate and effective November 9, 2004 it is calculated as 93% of the Scotia Capital 91-Day Treasury Bill Index and 7% of the Call Loan Rate.

##### **Canadian Equity:**

This fund uses derivative products such as swaps and futures to gain exposure to various segments of the S&P/TSX Composite. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. Exposure is primarily to the S&P/TSX Large-Cap Index and the S&P/TSX Mid-Cap Index and to a lesser extent, to the S&P/TSX Small-Cap Index. The performance objective is to exceed or match the return of the various segments which the fund attempts to replicate.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2005

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#### 3. Investments *(continued)*:

##### **External Canadian Equity:**

This fund is managed by external managers and invests in publicly traded Canadian equities. The return objective is add 100 basis points to its benchmark, the S&P/TSX Total Return Composite, over a four-year moving average.

##### **TSE Small-Cap:**

Managed by an external manager, this fund invests primarily in the companies of the S&P/TSX Small-Cap Index. The return objective is to exceed the performance of its benchmark, the S&P/TSX Small-Cap Index, by 100 basis points.

##### **Allocation Equity Domestic:**

This fund is used to implement asset allocation decisions by investing in the Canadian equity market. Its primary investments are derivative products such as futures, options and swaps. Leverage is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. The benchmark is the S&P/TSX Total Return Composite. All units of this fund were redeemed as of September 8, 2003.

##### **Allocation Equity International:**

This fund is used to implement asset allocation decisions and diversify equity investments by participating in the equity markets of the U.S., Japan and developed European countries. It gains exposure to these markets by investing in equities, derivative products such as futures, options and swaps, as well as investing in pooled funds of index products managed by an external manager. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. This fund is also used to implement quantitative strategies on the U.S. equity markets. The benchmark is a weighting of the respective country or regional indices.

##### **Public Equity:**

This fund is managed by external managers and invests in publicly traded equities in developed European and United States markets. The return objective is to exceed the performance of the benchmark, which is a weighting of the respective country or regional indices, by 200 basis points over four-year moving average.

##### **North American Market Neutral:**

This fund focuses on adding value through security selection within its universe of the S&P/TSX60 and S&P TSX Mid-cap stocks as well as certain publicly traded US-listed stocks. Favored securities are purchased and offset by a corresponding short position in another security within the same sector. The portfolio is supported by a cash underlay and its return objective is to add 500 basis points annually over a four-year moving average basis to its benchmark. Prior to November 9, 2004, the benchmark was calculated as 80% of the Scotia Capital 91-Day Treasury Bill Index and 20% of the Call Loan Rate. Effective November 9, 2004, the benchmark is calculated as 93% of the Scotia Capital 91-Day Treasury Bill Index and 7% of the Call Loan Rate.

##### **New Brunswick and Atlantic Canada Equity Opportunity:**

This fund invests in public and private equities or instruments convertible into equities of New Brunswick and Atlantic Canada companies. The return objective is to add 80 basis points to its benchmark, the S&P/TSX Total Return Composite, over a four-year moving average.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2005

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#### 3. Investments *(continued)*:

##### **Private Equity:**

This fund is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies. The return objective is to exceed the performance of its benchmark, a blend of the S&P 500 and the MSCI Europe Net total return indices.

##### **Canadian Real Estate:**

This fund is managed by an external manager and invests in Canadian real estate investments through limited partnerships or similar investment vehicles. The benchmark is inflation, as measured by the percentage change in the twelve-month CPI-Canada All Items Index, plus four percent.

##### **Quantitative Market Neutral:**

This fund implements equal dollar amount of long and short U.S. equity positions while maintaining market and sector neutrality. The stock selection is based on a quantitative multi-variate factor model. The portfolio is supported by a cash underlay and its return objective is to add 500 basis points annually over a four-year moving average to its benchmark. Prior to November 9, 2004, the benchmark was calculated as 80% of the Scotia Capital 91-Day Treasury Bill Index and 20% of the Call Loan Rate. Effective November 9, 2004, the benchmark is calculated as 93% of the Scotia Capital 91-Day Treasury Bill Index and 7% of the Call Loan Rate. Initial investment activity for this fund occurred on April 1, 2004.

##### **U.S. Real Estate:**

This fund is managed by an external manager that invests primarily in publicly traded securities of U.S. Real Estate Investment Trusts. The return objective is to add 150 basis points to the NAREIT® Equity Index.

##### **Commodity:**

This fund is used to implement asset allocation decisions and diversify client investment portfolios by participating in the commodity markets. It gains exposure to the commodity markets by using derivative products such as futures and swaps. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. The benchmark is the Goldman Sachs Commodity Total Return Index (US\$). The return objective is to match the benchmark index. Initial investment activity for this fund occurred on December 14, 2004.

##### **Student Investment:**

This fund is managed by students at the University of New Brunswick who are registered in the Student Investment Fund Program. Its initial base was \$1 million and is to be invested using the same philosophy as that used by NBIMC. The overall benchmark for this fund is composed of 50% S&P/TSX60, 45% Scotia Capital All Government Index and 5% Scotia Capital 91-Day Treasury Bill Index. The activities of this fund are closely monitored by NBIMC staff who execute and process all transactions on behalf of the students.

Investments are subject to many risk factors. Risk Management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency fluctuations, interest rate volatility, market and credit risk. NBIMC has set formal policies and procedures

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2005

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#### 3. Investments *(continued)*:

that establish an asset mix among equity and fixed income investments, that requires diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

##### **Foreign Currency Risk:**

Foreign currency exposure arises from a unit trust fund holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. NBIMC mitigates this risk through the use of foreign exchange forward contracts.

##### **Interest Rate Risk:**

Interest rate risk refers to the effect on the market value of the unit trust fund's investments due to fluctuation of interest rates. The fixed income portfolio has guidelines on duration and distribution, which are designed to mitigate the risk of interest rate volatility.

##### **Market Risk:**

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. NBIMC's policy is to invest in a diversified portfolio of investments, based on criteria established in their Investment Policies and Investment Procedures Manual, and to utilize derivative contracts that are designed to mitigate the impact of market risk.

##### **Credit Risk:**

The Funds are exposed to credit-related risk in the event a security counterparty defaults or becomes insolvent. NBIMC has established investment criteria which are designed to manage credit risk by establishing limits to credit exposure from individual corporate entities.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2005

#### 3. Investments (continued):

Following are details of unit trust holdings by each of The Funds:

##### (a) Public Service Superannuation Fund:

	Units	Unit Value (rounded in dollars)	2005	2004
<b>Fixed income:</b>				
Nominal Bond	730,772	\$ 1,479	\$ 1,081,061	\$ 886,850
New Brunswick Fixed Income Opportunity	11,956	1,674	20,015	28,298
			1,101,076	915,148
Inflation Linked Securities	221,276	1,965	434,799	397,831
Money Market	189,322	1,265	239,587	126,357
			1,775,462	1,439,336
<b>Equities:</b>				
Canadian Equity	394,796	1,432	565,483	732,214
External Canadian Equity	102,004	1,609	164,100	204,913
TSE Small-Cap	32,077	1,629	52,261	71,576
Allocation Equity International	661,366	1,141	754,866	659,486
Public Equity	76,859	1,025	78,779	110,481
			1,615,489	1,778,670
<b>Alternative investments:</b>				
North American Market Neutral	151,977	1,105	168,006	120,122
New Brunswick and Atlantic Canada Equity Opportunity	9,300	962	8,943	9,086
Private Equity	46,833	769	36,004	32,249
Canadian Real Estate	9,113	1,061	9,665	1,605
Quantitative Market Neutral	39,850	960	38,240	-
U.S. Real Estate	37,670	2,053	77,319	74,255
Commodity	12,635	1,224	15,459	-
			353,636	237,317
<b>Balanced:</b>				
Student Investment	485	1,639	796	725
			\$ 3,745,383	\$ 3,456,048

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Net Assets Held in Trust**  
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(in thousands of dollars)

Year ended March 31, 2005

**3. Investments** *(continued)*:

**(b) Teachers' Pension Fund:**

	Units	Unit Value (rounded in dollars)	2005	2004
<b>Fixed income:</b>				
Nominal Bond	661,299	\$ 1,479	\$ 978,289	\$ 820,882
New Brunswick Fixed Income Opportunity	10,457	1,674	17,506	25,211
			995,795	846,093
Inflation Linked Securities	210,309	1,965	413,250	385,232
Money Market	165,456	1,265	209,385	109,571
			1,618,430	1,340,896
<b>Equities:</b>				
Canadian Equity	322,456	1,432	461,869	623,846
External Canadian Equity	89,218	1,609	143,530	182,864
TSE Small-Cap	28,056	1,629	45,710	61,302
Allocation Equity International	549,786	1,141	627,511	556,836
Public Equity	67,225	1,025	68,904	98,428
			1,347,524	1,523,276
<b>Alternative investments:</b>				
North American Market Neutral	132,927	1,105	146,948	107,017
New Brunswick and Atlantic Canada Equity Opportunity	8,134	962	7,822	8,095
Private Equity	40,963	769	31,491	28,731
Canadian Real Estate	7,971	1,061	8,453	1,430
Quantitative Market Neutral	34,855	960	33,447	-
U.S. Real Estate	32,948	2,053	67,627	66,154
Commodity	11,051	1,224	13,521	-
			309,309	211,427
<b>Balanced:</b>				
Student Investment	528	1,639	866	789
			\$ 3,276,129	\$ 3,076,388

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Net Assets Held in Trust**  
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(in thousands of dollars)

Year ended March 31, 2005

**3. Investments** *(continued)*:

**(c) Judges' Superannuation Fund:**

	Units	Unit Value (rounded in dollars)	2005	2004
<b>Fixed income:</b>				
Nominal Bond	3,884	\$ 1,479	\$ 5,747	\$ 4,757
New Brunswick Fixed Income Opportunity	78	1,674	131	193
			5,878	4,950
Inflation Linked Securities	1,516	1,965	2,978	2,834
Money Market	1,242	1,265	1,572	840
			10,428	8,624
<b>Equities:</b>				
Canadian Equity	3,021	1,432	4,326	5,642
External Canadian Equity	670	1,609	1,077	1,401
TSE Small-Cap	211	1,629	343	548
Allocation Equity International	4,880	1,141	5,571	4,974
Public Equity	505	1,025	517	754
			11,834	13,319
<b>Alternative investments:</b>				
North American Market Neutral	998	1,105	1,102	820
New Brunswick and Atlantic Canada Equity Opportunity	61	962	59	62
Private Equity	307	769	236	220
Canadian Real Estate	60	1,061	63	11
Quantitative Market Neutral	262	960	251	-
U.S. Real Estate	247	2,053	508	507
Commodity	83	1,224	101	-
			2,320	1,620
<b>Balanced:</b>				
Student Investment	4	1,639	6	5
			\$ 24,588	\$ 23,568



**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Net Assets Held in Trust**  
**Notes to Financial Statements**  
(in thousands of dollars)

Year ended March 31, 2005

**4. Investment income (loss):****(a) Public Service Superannuation Fund:**

	2005	2004
<b>Fixed income:</b>		
Nominal Bond	\$ 52,481	\$ 81,697
New Brunswick Fixed Income Opportunity	1,379	3,094
	53,860	84,791
Inflation Linked Securities	44,178	54,210
Money Market	5,160	3,774
	103,198	142,775
<b>Equities:</b>		
Canadian Equity	77,077	214,343
External Canadian Equity	20,286	52,417
TSE Small-Cap	2,002	26,807
Allocation Equity Domestic	-	9,295
Allocation Equity International	58,678	195,667
Public Equity	13,426	15,418
	171,469	513,947
<b>Alternative investments:</b>		
North American Market Neutral	6,872	4,573
New Brunswick and Atlantic Canada Equity Opportunity	(408)	1,212
Private Equity	2,958	10,062
Canadian Real Estate	557	-
Quantitative Market Neutral	(1,305)	-
U.S. Real Estate	7,622	28,332
Commodity	2,443	-
	18,739	44,179
<b>Balanced:</b>		
Student Investment	71	129
	\$ 293,477	\$ 701,030

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Net Assets Held in Trust****Notes to Financial Statements**

(in thousands of dollars)

Year ended March 31, 2005

**4. Investment income (loss) (continued):****(a) Teachers' Pension Fund:**

	2005	2004
<b>Fixed income:</b>		
Nominal Bond	\$ 47,864	\$ 75,917
New Brunswick Fixed Income Opportunity	1,215	2,772
	49,079	78,689
Inflation Linked Securities	42,397	52,336
Money Market	4,537	3,358
	96,013	134,383
<b>Equities:</b>		
Canadian Equity	63,445	183,502
External Canadian Equity	17,848	46,706
TSE Small-Cap	1,876	23,045
Allocation Equity Domestic	-	8,416
Allocation Equity International	49,148	166,052
Public Equity	11,855	13,739
	144,172	441,460
<b>Alternative investments:</b>		
North American Market Neutral	6,071	4,069
New Brunswick and Atlantic Canada Equity Opportunity	(363)	1,144
Private Equity	2,613	9,074
Canadian Real Estate	490	-
Quantitative Market Neutral	(1,165)	-
U.S. Real Estate	6,705	25,321
Commodity	2,135	-
	16,486	39,608
<b>Balanced:</b>		
Student Investment	77	141
	\$ 256,748	\$ 615,592

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Net Assets Held in Trust**  
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Year ended March 31, 2005

**4. Investment income (loss) (continued):****(c) Judges' Superannuation Fund:**

	2005	2004
<b>Fixed income:</b>		
Nominal Bond	\$ 283	\$ 450
New Brunswick Fixed Income Opportunity	9	22
	292	472
Inflation Linked Securities	309	392
Money Market	34	26
	635	890
<b>Equities:</b>		
Canadian Equity	598	1,685
External Canadian Equity	134	366
TSE Small-Cap	10	209
Allocation Equity Domestic	-	65
Allocation Equity International	441	1,516
Public Equity	89	107
	1,272	3,948
<b>Alternative investments:</b>		
North American Market Neutral	46	32
New Brunswick and Atlantic Canada Equity Opportunity	(3)	9
Private Equity	20	70
Canadian Real Estate	4	-
Quantitative Market Neutral	(9)	-
U.S. Real Estate	51	196
Commodity	16	-
	125	307
<b>Balanced:</b>		
Student Investment	1	1
	\$ 2,033	\$ 5,146

