

NOVA SCOTIA DEPARTMENT OF FINANCE  
PENSION SERVICES GROUP

# INVESTMENT REPORT

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NOVA SCOTIA TEACHERS' PENSION PLAN

**YEAR-END SUMMARY**  
**DECEMBER 31, 2004**



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This report may also be found  
online at:

[www.gov.ns.ca/finance/pension](http://www.gov.ns.ca/finance/pension).

Click on Teachers' Pension Plan  
and Investment Division &  
Reports.

## Investment Division

The Minister of Finance is trustee of the Fund and is responsible for the day-to-day administration of the plan. These functions are carried out through the Pensions and Investments Branch of the Department of Finance. The Investment Division of the Department of Finance is comprised of six investment professionals. This group is responsible for the day-to-day monitoring of asset mix for compliance with asset mix guidelines and recommending asset mix changes. In addition, this group is responsible for selecting external fund managers and managing fixed income portfolios. Support staff are responsible for accounting for all investment transactions.

# INVESTMENT REPORT YEAR-END SUMMARY

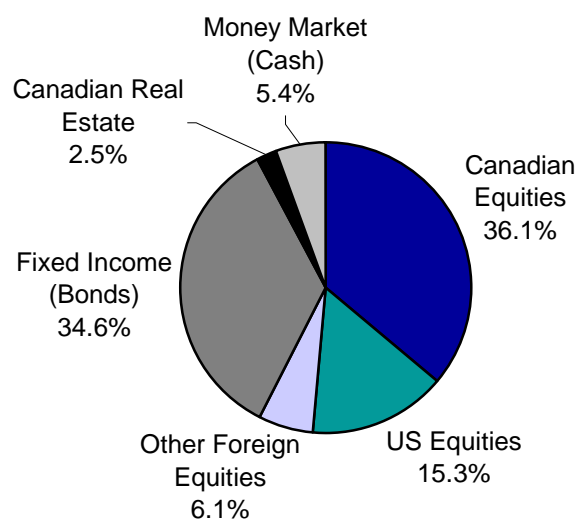
## NOVA SCOTIA TEACHERS' PENSION PLAN

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### ASSET MIX

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**December 31, 2004**



Asset	2004 Summary		
	June 30	Sept 30	Dec 31
Canadian Equities	35.9%	35.9%	36.1%
US Equities	15.8%	14.7%	15.3%
Other Foreign Equities	7.9%	7.3%	6.1%
Fixed Income (Bonds)	33.7%	35.0%	34.6%
Canadian Real Estate	2.3%	2.6%	2.5%
Money Market (Cash)	4.3%	4.5%	5.4%

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**TOP 20 HOLDINGS**

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<b>Stock</b>	<b>Value December 31, 2004 (descending value)</b>
Manulife Financial Corp	\$71,064,399
Bank of Nova Scotia	\$67,874,472
Toronto Dominion Bank	\$58,483,463
Royal Bank of Canada	\$53,720,000
Encana Corporation	\$40,600,139
Talisman Energy Inc	\$33,690,684
Canadian National Railway	\$28,394,035
Sun Life Financial Inc	\$27,902,753
Transcanada Corp	\$27,185,193
BCE Inc	\$27,008,026
Nexen Inc.	\$25,840,948
Bank of Montreal	\$25,348,111
Canadian Imperial Bank of Commerce	\$24,250,246
Thomson Corp	\$22,225,360
Canadian Tire Ltd	\$21,708,174
Enbridge Inc	\$21,623,264
Great West Life	\$21,077,022
Potash Corp of Saskatchewan	\$20,876,492
Alcan Inc.	\$19,721,763
Petro Canada	\$18,793,618

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## FUND PERFORMANCE

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### PERFORMANCE UPDATE

Performance for the December 2004 quarter showed a positive return of 4.97% versus its benchmark of 5.11%. Once again Canadian equities were the best performing asset class, as was the case for the year as a whole. The performance of U.S. and International markets continued to act as a drag on the overall performance of the funds.

For the one year period ended December 2004 the fund showed a return of 8.98% versus its benchmark of 9.23% and the target investment return of 7.38% per annum. The major reason for the fund under performing its benchmark was the sub standard performance of one of our international money managers. This manager has been terminated and was replaced by a new manager in August 2004.

### RECENT DEVELOPMENTS

The fund's exposure to real estate was increased over the past year through direct investments in a number of income producing properties. These properties included multi-family housing, office, and industrial properties located in Alberta, Ontario and Nova Scotia. It is our intention to increase our exposure to this asset class from its current level of 2.6% of total assets to at least 7% in the future.

During the past year Mercer Investment Consulting were retained to conduct an asset/liability study of the fund for the purpose ensuring that the fund's asset mix was appropriate for the future funding requirements. The study recommended that we increase the fund's exposure to international equities. We are currently studying this and will likely implement in 2005.

### MARKET COMMENTARY

While 2004 proved to be a very good year for Canadian investors the year ahead could prove to be more difficult. The U.S. Federal Reserve has raised short-term rates seven times and it appears this will continue until there is a slowdown in economic growth. This will negatively impact Canada as it relies heavily on exports to the United States. In this rising interest rate environment, bond returns will be negatively impacted while the strong upward momentum we have seen in Canadian equity returns will be hard to sustain.

NOVA SCOTIA DEPARTMENT OF FINANCE

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