



Peguis First Nation

Peguis First Nation Treaty Land Entitlement (TLE) Trust

2010 Trust Administration Report



Financial Trustees

Sharon Stevenson, Stephan Daniels, Annette Spence, Diane Bear,
Carrie (Sherry) Sutherland and Royal Trust Corporation of Canada

And

Community Fund Trustees

Ralph Sutherland, Lloyd Sinclair, Barry Bear, Freda Bear,
Stan Bird and Yvonne Houle

May 14, 2011

**PEGUIS FIRST NATION TRUST
ANNUAL TRUST REPORT FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2010**

Trust Mission Statement:

“As financial caretakers of the Peguis First Nation Trust, the Trustees are responsible for managing the safety, income and growth of Trust assets for the use of current and future generations of the Peguis community. To promote harmony, nurture pride in our heritage and to establish a legacy for all...”

Gakina Denaawemaaganag (All my relations...)

Background

The Peguis First Nation Trust entered into a Treaty Entitlement Agreement with Canada and the province of Manitoba securing its long outstanding right to additional land for Reserve under the terms of Treaty 1.

Under the Treaty Entitlement Agreement, Peguis First Nation is entitled to select and acquire up to 166,794 acres of additional land as Reserve. To fulfil its obligations, Canada has agreed to pay Peguis First Nation the sum of \$64,425,000.00 inclusive of:

- contributions made by Canada towards Negotiations Costs
- costs incurred by Peguis First Nation in undertaking and completing the Community Approval Process
- costs incurred or anticipated to be incurred by Peguis First Nation in completing the Land Selection Study.

Under the terms of the Treaty Entitlement Agreement, Peguis First Nation agreed to create the Peguis First Nation Trust to use, manage and administer the Settlement Funds received from Canada.

By Ratification Vote held on September 7, 2007 the majority of Members of Peguis First Nation approved the Peguis First Nation Trust Agreement. The Trust Agreement was signed on May 12th, 2008.

On May 28, 2008, \$61,397,215.00 was deposited to the Peguis First Nation Trust, of which \$56,397,215.00 was transferred to the Implementation Account and \$5,000,000.00 to the Community Fund Account.



Chief Peguis

Reporting

Each year the Trustees are required to provide the Chief and Council of Peguis First Nation with financial statements for the Trust, as well as, a report on the administration of the Trust. The report describes the income and expenditures of the Trust, the activities of the Trustees, as well as, reports on the investments for the Trust.

The Financial Trustees appointed Ron Miller, CA, Hatch Wilson as the Auditor for the Trust. Attached hereto are the financial statements for the Trust.

Upon request, any member of Peguis First Nation is entitled to receive a copy of the audited financial statements and the Trustees' Annual Report. Members need to provide verification of membership, which can be obtained from the Membership Office.

The Financial Trustees

The Financial Trustees for the Peguis First Nation Trust are Sharon Stevenson (Chair), Stephan Daniels, Annette Spence, Diane Bear, Carrie Sutherland (Sherry) and Royal Trust Corporation of Canada. Under the terms of the Trust Agreement at least one (1) Peguis Financial Trustee must be located off Reserve. Annette Spence is the off Reserve Financial Trustee. There will be a seventh (7th) Trustee appointed by Council who must be a chartered accountant. Council is currently in the process of finding a suitable chartered accountant to act as Trustee.

The Financial Trustees are responsible for the financial administration of the Peguis First Nation Trust, including the Implementation Account and the Community Fund Account. Under the terms of the Trust Agreement, the Financial Trustees can engage professional financial management services to assist them in performing their duties.

The Financial Trustees distribute the Trust Property in accordance with the Funding Directions issued by Council or the Community Fund Trustees, as the case may be.

The Community Fund Trustees

The Community Fund Trustees are Ralph Sutherland, Lloyd Sinclair, Barry Bear, Freda Bear and Yvonne Houle. Under the terms of the Trust Agreement at least one Community Fund Trustee must be located off Reserve. Yvonne Houle is the off Reserve Community Fund Trustee for the Trust. Stan Bird was the previous off Reserve Community Fund Trustee; however, he resigned as the off Reserve Community Fund Trustee when he moved back to Peguis. Yvonne Houle replaced Stan on August 24, 2010.

The Community Fund Trustees are responsible for identifying, determining or recommending to Council or to Council and the Members "Expenditures Beneficial to Peguis First Nation".

Professional Development

As a requirement of the Treaty Land Entitlement Trust, Trustees must ensure they educate themselves on the Trust Agreement and the implementation of the Trust. As new Trustees and as the initial Trustees for Peguis we actively pursued opportunities to enhance our experience and expand our knowledge base to become dynamic participants in the TLE Trust.

Rodger Aboriginal Investment and Trust Workshop focus' on aboriginal trusts and provides a valuable opportunity for information and insight into the administration of a Trust. This workshop also brings

together Trustees, Trust managers and industry professionals from across Canada. Workshop sessions include Trust Basics, Investment Basics, Sustainable Withdrawal Levels, Community Communication, Effective Trust Operations, and Successful Strategies.

The National Aboriginal Trust Officers Association (NATOA) also held a workshop to share information on such issues as the role of the Investment Manager, Investment Policy Statements, Corporate Trustees, and management of a Trust.

The Implementation Account (Land Purchase)

Purpose of the Implementation Account

The Implementation Account is to be used to acquire land to be registered in the name of Peguis, discharging expenses associated with the purchase of land and other administration expenses of the Treaty Entitlement Agreement.

Opening Values

As at December 31, 2009, the opening value of the Implementation Account as per 2009 Financial Statement:

	<u>Market Value</u>	<u>% of Portfolio</u>
Cash and Short Term Investments	\$ 56,895,753	100%
	_____	_____
TOTAL VALUE	<u>\$ 56,895,753</u>	<u>100.00%</u>

2010 Income and Expense Summary

Income Received

2010

Investment Income	\$ 789,555.00
Taxable capital gains (50% of Realized Capital gain of \$51,148)	<u>\$ 25,574.00</u>
Total Income Received	\$ 815,129.00

Less Trustee Authorized Expenses

Royal Trust Corporation – Custody and Corporate Trustee fee	\$ 81,670.00
Peguis Financial Trustees – Honoraria	\$ 60,700.00
Peguis Financial Trustees – professional development	\$ 19,363.00
Peguis Financial Trustees – travel	\$ 5,702.00
Investment and Trust Consulting fees	\$ 49,689.00
Investment Managers fees	\$ 126,120.00
Professional fees	\$ 5,714.00
Peguis Trust Office expenses	\$ 13,361.00
Annual General Meeting expenses	\$ 6,921.00
Public Meetings	\$ 10,125.00
Bank Charges	<u>\$ 342.00</u>
Total Authorized Trustee Expenses	<u>\$ 379,707.00</u>

Less Implementation Expenses

Peguis TLE Implementation Budget	<u>\$ 600,993.00</u>
Total Expenses	<u>\$ 980,700.00</u>
Net Income (deficiency)	(\$ 165,571.00)
Unrealized Capital Gains as at December 31, 2010	<u>\$1,094,652.00</u>
Excess Income and capital appreciation over expenses	\$ 929,081.00

We are pleased to report that all expenses and withdrawals from the Trust are in compliance with the Trust Agreement.

Authorized Uses of the Implementation Account

- To purchase for social, economic development, cultural or other purposes of interest to Peguis First Nation, including related costs
- To pay the costs of inspection, appraisal, negotiation, capital purchase, purchased transaction, holding, tax adjustment and incidental costs, including agents, representation or trustees retained to purchase or hold title to land
- To implement the Treaty Entitlement Agreement, including required staff, equipment, travel or other administration costs pertaining to the purchase of land, monitoring and Reserve creation process
- To pay reasonable fees and honoraria, as approved at a Meeting of Members, as well as financial, investment management, legal, accounting or other education which will assist the Financial Trustees in carrying out their duties and protecting the assets of the Trust

Process for Paying Implementation Costs and for the Purchase of Land

Council must provide the Trustees with a Funding Direction, which contains the following information:

For Implementation costs:

- A description of the implementation expense
- A description of the manner in which the funds will be applied
- when and to whom the funds will be paid
- the anticipated completion date
- the amount and source of other funds received
- a description of any charges or security arrangements
- A Council Resolution approving expenditure for implementation purposes

For purchase of Land:

- A copy of the executed Offer to Purchase
- The name of the lawyer who will be completing the land acquisition and to whom the Financial Trustees will pay the funds to in order to close the purchase
- A Council Resolution approving the land purchase and Offer to Purchase

Unless and until the amount of land set apart as Reserve has been increased by 9,637 acres of land, the amount of capital in the Implementation Account can not be less than \$49,800,000.00 less the value of any Treaty Entitlement Land purchased by the Trust.

In the first 25 years, the Implementation Account has a “Floor Value” of \$25,000,000.00. No distributions, other than for the purchase of Land, can be made if such distribution should result in the value of the Implementation Account falling below \$25,000,000.00.

Peguis TLE Implementation Office

The Peguis TLE Implementation Office was opened in 2009 in Selkirk, Manitoba. The primary responsibilities of the Office are:

- To ensure the successful purchase and selection of 166,794 acres of land to be converted to Reserve Land, which includes 55,038 acres of Crown Land and 111,756 of Private Land
- To develop a Strategic Plan to purchase TLE land
- To ensure land selection and acquisition procedures and principals are met
- To monitor the conversion of land to Reserve status;
- To ensure Peguis First Nation meets its responsibilities and obligations under the Treaty Land Agreement;
- To provide advice and administrative support to the TLE Trust;

As at December 31, 2010, Peguis TLE Implementation Office consists of the following staff:

- 1) Nathan McCorrister – Executive Director
- 2) Marlene Stevenson – Executive Assistant
- 3) Ramona Bird – Consultation Manager
- 4) Lloyd Stevenson – Legal Advisor
- 5) Mike Sutherland - Lands

Annual Peguis TLE Implementation Budget

Under the terms of the Trust Agreement, Council prepares an Annual Budget for the expenses relating to the implementation of the Treaty Entitlement Agreement., including required staff, equipment, travel or other administration costs pertaining to the acquisition of land, site inspections, land appraisals, general legal services, monitoring and Reserve creation process approved by the Council. For 2010, the TLE Budget was as follows:

<u>Description</u>	<u>Amount</u>
TLE Executive Director - Salary	\$69,360.00
TLE Executive Director – Benefits	\$12,138.00
Land and Resources Coordinator – Salary	\$60,000.00
Land and Resources Coordinator – Benefits	\$10,500.00
Administrative Assistance – Salary	\$45,000.00
Administrative Assistance – Benefits	\$ 7,875.00
Communications/Public Relations	\$ 3,000.00
Equipment Lease	\$ 6,007.08
General Legal fees	\$20,000.00
Insurance	\$ 1,252.00
Land Acquisition Investment Strategy	\$25,000.00
Land Selection/Acquisition Advisory Committee	\$ 9,018.00

Description	Amount
Peguis Implement Committee	\$16,686.54
Summer students (6)	\$ 7,840.00
Maps/Land Titles	\$ 1,000.00
Office Equipment/Maintenance	\$ 5,000.00
Office Rent	\$14,023.38
Office Supplies Expense	\$ 2,500.00
Parking	\$ 500.00
Postage	\$ 100.00
Printing	\$ 1,000.00
Telephones/Internet	\$ 7,200.00
Training	\$ 5,000.00
Travel	\$15,000.00
Utilities	<u>\$ 5,000.00</u>
Annual 2010 Peguis TLE Implementation Budget	\$350,000.00

Addition to Peguis TLE Implementation Budget

For 2010, further funds were required to cover TLE Implementation costs. Under the terms of the Trust Agreement, implementation costs in excess of \$350,000.00 must be approved by Members at a Meeting of Members.

At a duly called Meeting of Members held in Peguis on May 29, 2010, the majority of Members approved the following additions to the Peguis TLE Implementation Budget:

Description	Amount
Legal Fees for Kapyong Barracks – Judicial Review	\$127,818.44
Additional Support Staff – 2 Senior staff	\$141,000.00
Additional Support - Staff Benefits	\$ 24,675.00
Travel	\$ 10,000.00
TLE Land Selection and Acquisition Strategy	\$ 10,000.00
TLE Land Acquisition Investment Strategy	<u>\$ 25,000.00</u>
Total Addition to 2010 Peguis TLE Implementation Budget	\$338,493.44

Land Purchased in 2010

The Peguis TLE Office and the Land Selection Advisory Committee have been busy working on identifying lands for purchase. People are approaching the Peguis TLE Implementation office with potential lands opportunities for purchase. The Peguis TLE Implementation Office is looking into St. Peter's reserve for potential opportunities. In 2010, there was no land purchased.

As of December 31, 2010, no Entitlement Land has been purchased using Trust Funds.

Closing Values

Implementation Account

As at December 31, 2010 the closing value of the Implementation Account is:

	<u>Market Value</u>	<u>% of Portfolio</u>
Cash or Cash equivalent	\$ 25,510.	0.5%
Bonds	\$41,496,096.	72.8%
Stocks	\$16,055,405.	27.7%
TOTAL VALUE	<u>\$57,802,011.</u>	<u>100.00%</u>

The Community Fund Account

Purpose of the Community Fund Account

The Community Fund Account is to be used for the advancement of the interest of and quality of life of Peguis First Nation and its Members through the preservation, enhancement and application of Trust property.

Opening Values

As at December 31, 2009, the opening value of the Community Fund Account as per 2009 Financial Statement::

	<u>Market Value</u>	<u>% of Portfolio</u>
Cash and Short Term Investments	\$ 5,025,135.	100%
TOTAL VALUE	<u>\$ 5,025,135.</u>	<u>100.00%</u>

Income Received

2010

Investment Income	\$ 65,064.00
Taxable capital gains (50% of Realized Capital gain of \$8,068.00)	<u>\$ 4,034.00</u>
Total Income Received	\$ 69,098.00

Less Trustee Authorized Expenses

Royal Trust Corporation – Custody and Corporate Trustee fee	\$ 6,857.00
Peguis Community Fund Trustees – Honoraria	\$ 47,100.00
Peguis Community Fund – professional development	\$ 13,550.00
Peguis Community Fund – travel	\$ 1,478.00
Investment and Trust Consulting fees	\$ 4,394.00
Investment Managers fees	\$ 9,297.00
Peguis Trust Office expenses	\$ 1,630.00

Bank Charges	<u>\$ 121.00</u>
Total Authorized Trustee Expenses	<u>\$ 84,427.00</u>
Less Community Fund Applications Approved	
Peguis Treaty Ground Beautification	<u>\$ 50,000.00</u>
Total Expenses	<u>\$134,427.00</u>
Net Income (deficiency)	(\$ 65,329.00)
Unrealized Capital Gains as at December 31, 2010	<u>\$ 188,101.00</u>
Excess Income and capital appreciation over expenditures	\$ 122,722.00

We are pleased to report that all expenses and withdrawals from the Trust are in compliance with the Trust Agreement.

Authorized Uses for Community Fund Account

- To supplement or enhance health care related services
- To enhance or promote educational opportunities
- To support assistance to address the special needs of Peguis elders
- For community development and improvement initiatives including infrastructure, equipment or enhancement of recreation facilities
- To preserve the language and cultural heritage
- For Treaty Days, pow-wow and community gatherings
- To acquire, establish, or build a credit union or a bank or a trust company to be owned by Peguis, also known as the Peguis band.
- For Housing
- To promote or establish business or commercial operations beneficial to the members
- For any other activity beneficial to the Peguis Community members

Process for Paying Community Fund approved Applications

Community Fund Trustees and or Council must provide the Trustee with a Funding Direction, which contains the following:

- A description of the Expenditure Beneficial to the Beneficiary for Community Purposes
- A description of the manner in which the funds will be applied
- when and to whom the funds will be paid, the anticipated completion date
- the amount and source of other funds received
- a description of any charges or security arrangements
- depending on the amount a Community Fund Trustees Ordinary Resolution, Council Resolution or Members Ordinary Resolution approving the Expenditure

Community Fund Approval Authorities

All funding applications are reviewed and discussed by the Community Fund Trustees or a review committee thereof. As per the terms of the Trust Agreement, the following approval authorities are required to approve:

- Applications for funding up to \$50,000 may be approved by the Community Fund Trustees
- Applications for funding over \$50,000 and up to \$150,000 must be recommended by the Community Fund Trustees and approved by Chief and Council
- Applications for funding over \$150,000 must be recommended by the Community Fund Trustees with the concurrence of Chief and Council and approved by the Members at a meeting of Members.

Applications Approved

In 2010, the Community Fund Trustees approved, with Council's concurrence, the following distribution:

<u>Name</u>	<u>Amount</u>	<u>Purpose and Remark</u>
Peguis Treaty Committee	\$50,000.00	The Funds were used to beautify the Treaty Grounds. As the amount was \$50,000.00 Council concurred with the Community Fund Trustees' recommendation.

The Community Trustees also approved the following proposals that will be paid in 2011, which were paid from surplus funds in 2009.

<u>Name</u>	<u>Amount</u>	<u>Purpose and Remarks</u>
Peguis Recreation & Leisure	\$12,000.00	Play Structure
Peguis Recreation & Leisure	\$ 9,267.82	Recreation Centre Roof Repairs
Peguis Junior "B" Hockey Club	\$ 3,000.00	Operations
Small Business – Kirk Man	<u>\$ 5,732.18</u>	Equipment Purchase
Total	<u>\$30,000.00</u>	

Other plans or projects for the next year

Application Approval Processes

Applications for funding can be made up to December 31st annually. The Community Fund Trustees will review all qualified applications by February 28th annually. Any applications that must be reviewed by Chief and Council and the Members will be reviewed at a meeting of Members called no later than April 15th annually. Funding payments to successful applicants will commence starting by April 30th each year.

For 2011, the Community Fund Trustees will use the following grading system for allocating funding for various applications for funding.

Guidelines for Grant Grading System

35% of funds available will be used for business initiatives with emphasis on viable businesses that provide employment to community members.

30% of funds available will be used for Youth initiatives

20% of funds available will be used to support Community activities, organizations and clubs

10% of funds available will be used for Elders initiatives

5% of funds used for Health initiatives

Funding Applications Workshops

During the upcoming year, the Community Fund Trustees will be holding Workshops and information sessions on how to complete the "Funding Applications Packages".

Elders Interviews

The Community Fund Trustees will arrange for interviews with elders of Peguis during, or prior to Peguis Annual Treaty Day Celebration, to obtain and record their personal stories to assist the Community Fund Trustees in making decisions with respect to the Community Fund Trust account.

Closing Values

Community Fund Account

As at December 31, 2010 the closing value of the Community Fund Account is:

	<u>Market Value</u>	<u>% of Portfolio</u>
Cash	\$ 27,354.	0.5%
Bonds	\$2,502,734.	48.2%
Stocks	\$2,667,386.	52.3%
TOTAL VALUE	<u>\$5,197,474.</u>	<u>100.00%</u>

Comprehensive Community Planning

Judie and Michael Bopp of Four Worlds Centre for Development have been diligently pursuing the Comprehensive Community Planning documentation for Peguis. In mid-January community meetings began and sessions were held at the Peguis Community Hall, Peguis Central School, Winnipeg Friendship Centre and the Selkirk Friendship Centre in an effort to draft a Peguis Community Story. The community story would reflect who we are, where we came from, current issues in the community, community strengths and what we would like to see for the future of Peguis.

The Peguis First Nation departments, organizations and committees were also interviewed for their opinions, comments and recommendations on the organizational and governance issues. A departmental review draft was distributed to the governmental departments for their analysis. The Peguis Central School students from grades 6-12 were also interviewed and group discussions were held on their views and comments for their ideas, input and plans for the future of Peguis.

The community comments, suggestions, opinions and recommendations were compiled into the draft

Peguis Community Story. This draft was distributed to the community in the fall and comments, recommendations, edits and suggestions have been received and reviewed towards the development of a final version.

From the draft Community Story, the work progressed into developing a draft comprehensive community planning document outlining the visions, goals, issues, strategies, and opportunities in the many sectors of Peguis: prosperity development, social welfare reform, health & wellness, community development, life-long education, cultural development, housing, infrastructure, justice, lands & resources, recreation, off-Reserve Band members, emergency response, public sector management and governance.



INVESTMENTS FOR PEGUIS FIRST NATION TRUST

T.E. Wealth

T.E. Wealth through its division, T.E. Investment Counsel Inc., has been retained to provide ongoing investment advisory assistance to the Trustees of the Peguis First Nation (TLE) Trust.

As a firm, T.E. Wealth has roots going back over 39 years (1972) and through their dedicated Aboriginal Services team, they provide completely independent and objective support relative to (but not limited to);

- Development and ongoing maintenance of the Trust's Statement of Investment Policies and Guidelines
- Portfolio structure decisions
- The Investment Manager Search & Selection process
- Investment Manager performance monitoring, measurement and interpretation

Statement of Investment Policies & Guidelines (SIP&G)

The Statement of Investment Policies and Guidelines for the Peguis First Nation (TLE) Trust received final approval in 2010. Within the allowable parameters and constraints permitted by the Trust Agreement, the SIP&G was developed to document the short, mid and long term investment objectives of both the TLE Implementation Fund and the Community Fund. More specifically, it sets out a prudent and appropriate basis for the management of Trust assets that specify the framework within which the Trustees must exercise investment discretion.

Implementation Fund:

Investment Objectives: Implementation Fund

- Sufficient liquidity to meet the periodic distributions for land acquisitions and associated costs
- Stability against downside risk
- Modest growth to preserve the purchasing power of the capital (net of fees and inflation)
- Income and capital gains to support periodic distributions

Community Fund:

Investment Objectives: Community Fund

- Modest growth to preserve the purchasing power of capital (net of fees and inflation)
- Income in the form of interest, dividends and realized capital gains to support annual distribution needs
- Liquidity to meet annual distributions
- Stability against downside risk

Asset Mix Targets and Ranges

Based on the constraints imposed by the Peguis First Nation Trust Agreement on the overall combined Trust assets, the maximum equity exposure is limited to 35% at which time rebalancing must be initiated. With this in mind, the target for the total equity exposure has been set at 30% which includes a 10% target for Canadian equities and 20% target for “non-domestic” equities. The inclusion of the non-domestic equities has been added to provide further diversification and risk reduction to the target asset allocation. Since the asset mix of a portfolio tends to determine its risk and return characteristics, control of the portfolio’s asset mix is the Financial Trustees principal means of defining and controlling its risk and return characteristics.

It is deemed by the Financial Trustees that the target asset mix considerations below represent a reasonable balance of risk and return based on the purpose and needs of the Implementation and Community Fund accounts and appropriate in meeting the account objectives.

The following are the policy asset mix targets and rebalancing ranges for each of the respective holdings by asset class category and include the actual portfolio weights at December 31, 2010.

Combined Holdings: Peguis First Nation Trust

	Strategic Target Mix	Rebalancing Range	Actual %Weight @ Dec 31, 2010
Cash & Equivalents	5.0%	0% - 10%	5.2%
Canadian Fixed Income	65.0%	60% - 70%	66.8%
Total Fixed Income	70.0%	65% - 75%	72.0%
Canadian Equity	10.0%	5% - 15%	9.5%
Global Equity	20.0%	15% - 25%	18.5%
Total Equity	30.0%	25% - 35%	28.0%

Implementation Fund: Peguis First Nation Trust

	Strategic Target Mix	Rebalancing Range	Actual %Weight @ Dec 31, 2010
Cash & Equivalents	5.0%	0% - 10%	5.2%
Canadian Fixed Income	67.0%	61% - 71%	68.8%
Total Fixed Income	72.0%	67% - 77%	74.0%
Canadian Equity	9.0%	4% - 14%	8.7%
Global Equity	19.0%	14% - 24%	17.3%
Total Equity	28.0%	23% - 33%	26.0%

Community Fund: Peguis First Nation Trust

	Strategic Target Mix	Rebalancing Range	Actual %Weight @ Dec 31, 2010
Cash & Equivalents	5.0%	0% - 10%	5.7%
Canadian Fixed Income	45.0%	40% - 50%	44.5%
Total Fixed Income	50.0%	45% - 55%	50.2%
Canadian Equity	20.0%	15% - 25%	17.4%
Global Equity	30.0%	25% - 35%	32.4%
Total Equity	50.0%	45% - 55%	49.8%

Portfolio Structure: Multi-manager / Multi-style

Implemented as a risk management strategy, the structure for the Peguis First Nation Trust effectively splits the assets between two active discretionary investment management firms with each manager assuming a balanced portfolio of equities and fixed income. By doing so, the Trust has achieved a degree of manager diversification and in turn, this can be expected to reduce the risk of periodic underperformance associated with a structure that allocates all of the assets to one single manager.

Equally so, the division of assets between differing investment styles is expected to produce less volatility through short and mid-term time periods (on the assumption that no single investment style reigns supreme through all investment environments).

Under the current structure, each manager has been provided with a balanced mandate of stocks and bonds which also permits the managers to make tactical shifts between asset classes depending on their outlook of the investment environment (e.g. underweight equities in difficult equity markets within the ranges provided).

The foregoing structure also includes an allocation of 50% of the fixed income portfolio to a bond indexing strategy. Indexing provides the Trust with the security of market returns, without the volatility or risk associated with active management return patterns. The objective of an index strategy is to replicate the return and risk characteristics of the respective index (or in this case, the bond index). As there is little or no active decision making in the construction of a bond index fund given the fund is intended to simply replicate the makeup of the index, the costs for such a management strategy are generally less expensive.

To confirm, both active and passive (indexing) bond management strategies have been implemented and are both considered viable and effective strategies for different reasons. The combination of both strategies is expected to provide an additional layer of risk protection for the Trust.

The Manager Search & Selection Process

T.E. Investment Counsel in their capacity as Investment Advisor to the Peguis First Nation Trustees initiated a formal Investment Manager Search and Selection process to identify the most appropriate managers within the industry to manage the Peguis First Nation Trust assets under a multi-manager / multi-style structure as identified above.

Through T.E.'s dedicated manager research team, the following qualitative and quantitative criteria was used as part of their analysis in assessing the universe of investment firms in Canada and in determining the firms that best meet the needs of the Peguis First Nation Trust as follows:

- Ownership structure and history
- People (depth and experience of team members)
- Consistent Investment Philosophy, Process and Risk Controls
- Consistent long term risk-adjusted performance
- Fees

Based on the above criteria, T.E.'s analysis identified the following managers for further consideration:

Growth/GARP Managers	Value Managers
<ul style="list-style-type: none"> ▪ Mawer Investment Mgmt Ltd ▪ McLean Budden Ltd. 	<ul style="list-style-type: none"> ▪ Beutel Goodman Investment Counsel ▪ Letko Brosseau & Associates

After a formal interview process by Trustees (facilitated by TE Wealth), Mawer Investment Management (Calgary) and Beutel Goodman Investment Counsel (Toronto) were identified and engaged to manage the assets of the Peguis First Nation Trust.

Firm Highlights:

Mawer Investment Management

- \$8.8 Billion in assets under management
- Founded in 1974 (36 years in business)
- 100% employee owned
- First Nation experience with strong focus on community support and education
- 20 Investment Professionals and 76 staff within the firm
- Low cost, low risk, consistent long term above median performer
- Awarded best global balanced manager in 2010 (Morningstar), 2009 (Lipper Awards), 2008 (Canadian Investment Awards), 2007 (Lipper Awards)

Beutel Goodman Investment Counsel

- \$23 Billion in assets under management
- Founded in 1967 (43 years in business)
- 51% employee owned
- 16 First Nation relationships with strong focus on education and community support
- 25 Investment Professionals and 65 staff within the firm
- Low cost, low risk, consistent long term above median performer
- Lipper Award Winner for performance in 2009

TD Asset Management (Bond Indexing Product)

- 171 Billion in assets under management
- Extremely competitive fees for bond indexing product
- One of the originators in Canada for bond indexing amongst the banks
- TD Emerald Bond Index product offers an "A-rated" or better fund which meets the Peguis Trust criteria for Fixed Income

Investment Performance and the Markets

The Investment Managers were funded mid June of 2010 and commenced the transition and reallocation of the initial cash deposits by purchasing securities throughout the 3rd quarter 2010 in accordance with the investment policy guidelines.

Beutel Goodman's transition to policy targets was completed by September 30 2010 with Mawer completing their transition in to the 4th quarter of 2010. The ability to transition the cash during the 3rd quarter ending September 30th was well timed (in hind sight) as the previous quarter saw negative returns in all asset classes (except bonds) which reflected the uncertainty in the markets due to global deficits and the slower than expected pace of the economic recovery. Such volatility brought significant investor caution as we headed in to the 3rd quarter transition period of 2010.

Markets turned positive however during the transition period and continued through to the December 31st year end which provided a relatively good entry point and positive appreciation during the initial investing period of the Trust.

Despite positive gains within the overall Trust portfolio since inception, as interest rates inched up from record lows, the DEX bond market index finished down -0.7% in the 4th quarter ending December 31st 2010 as rising rates caused a slight downturn in bond prices. This will continue to be a challenge for bond returns throughout 2011 as the economy regains strength which generally brings upward pressure on interest rates and a drop in bond prices. While the markets have seen annual bond returns in excess 6% for the last couple years, most investment managers project the outlook for bond returns to be closer to 3% - 3.5% in the coming year which will impact the overall return of the Trust given a target weight in excess of 70% within the fixed income asset class. The offset to modest bond returns of course is corresponding strength in the equity markets (although with some continued volatility given the financial woes in Europe and unrest in the Middle East).

A survey by Mercers Consulting of 56 global investment managers around the world indicates return expectations of approximately 3% - 3.5% for bonds and 8% - 9% on equity investments which would translate in to an approximate return of 4.5% - 5.15% based on the Trust's target weights for stocks and bonds.

The following charts provide a portfolio summary for the Implementation Fund, Community Fund and the Peguis First Nation Trust Overall as at December 31, 2010.

Peguis First Nation Trust Combined Holdings	Since Inception (07/01/10)
Starting Value (07/01/10)	\$61,755,557
Net Transfers	- \$579,547
Total Invested	\$61,176,010
Fund Appreciation	\$1,823,475
Ending Value (12/31/10)	\$62,999,485

Peguis First Nation Trust Implementation Fund	Since Inception (07/01/10)
Starting Value (07/01/10)	\$56,728,979
Net Transfers	- \$521,851
Total Invested	\$56,207,128
Fund Appreciation	\$1,594,883
Ending Value (12/31/10)	\$57,802,011

Peguis First Nation Trust Community Fund	Since Inception (07/01/10)
Starting Value (07/01/10)	\$5,026,402
Net Transfers	- \$57,695
Total Invested	\$4,968,707
Fund Appreciation	\$222,767
Ending Value (12/31/10)	\$5,197,474

In Closing

T.E. Investment Counsel will continue to apply a due diligent process in the monitoring of the managers and will advise the Peguis First Nation Trustees on an ongoing basis as to the manager's status relative to expectations. We continue to recommend the employment of both Mawer Investment Management and Beutel Goodman Investment Counsel for the investment management of the portfolios of the Peguis First Nation (TLE) Trust.

Conclusion

We are honoured to act as Trustees for the Peguis First Nation Trust and look forward to working with Council and the Community for many more years to come.

Respectfully submitted,

Financial Trustees – Peguis First Nation Trust

Sharon Stevenson - Chair

Stephan Daniels

Annette Spence

Diane Bear

Carrie Sutherland (Sherry)

Gary Goodbrandson, Royal Trust Corporation
of Canada

Community Fund Trustees – Peguis First Nation Trust

Ralph Sutherland - Chair

Lloyd Sinclair

Barry Bear

Freda Bear

Yvonne Houle