



Peguis First Nation

PEGUIS FIRST NATION TREATY LAND ENTITLEMENT (TLE) TRUST

2011 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, FRED A BEAR,
STAN BIRD AND YVONNE HOULE

May 12, 2012

**PEGUIS FIRST NATION TRUST
ANNUAL TRUST REPORT FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011**

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 entered into the Peguis First Nation Treaty Entitlement Agreement with Canada and the Province of Manitoba, thus 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 agreed to pay Peguis First Nation the sum of \$64,425,000.00 which included: contributions made by Canada towards Negotiations Costs; compensation for costs incurred by Peguis First Nation in undertaking and completing the Community Approval Process; and 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, which was later 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

The Peguis First Nation Trust Trustees

There are two sets of Trustees for the Peguis First Nation Trust – the Financial Trustees and the Community Fund Trustees.

The Financial Trustees

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.

In 2011, the Financial Trustees for the Peguis First Nation Trust were 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. In 2011, Annette Spence was the off Reserve Financial Trustee.

Under the terms of the Trust Agreement, a seventh (7th) Financial Trustee is to be 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 Community Fund Trustees

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” under the terms of the Trust Agreement. The Community Fund Trustees have no responsibility for the financial administration of the Trust.

In 2011, the Community Fund Trustees for the Peguis First Nation Trust were Ralph Sutherland (Chair), Lloyd Sinclair, Barry Bear, Freda Bear and Yvonne Houle.

Under the terms of the Trust Agreement, one Community Fund Trustee must be located off Reserve. In 2011, Yvonne Houle was the off Reserve Community Fund Trustee for the Trust.

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.

For 2011, the Financial Trustees appointed BDO Canada, LLP 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.

Professional Development

As a requirement of the Peguis First Nation Trust, Trustees must ensure they educate themselves on the Trust Agreement and the implementation of the Trust. As the Trustees for the Peguis First Nation Trust we continue to be committed to actively pursuing opportunities to enhance our experience and expand our knowledge base to become dynamic participants in the administration of the Trust.



In 2011, the National Aboriginal Trust Officers Association (NATOA) implemented a brand new Trustee Accreditation Program designed to provide community Trustees for aboriginal trusts with an opportunity to expand their knowledge base and gain an in-depth understanding of the operations of trusts and investments. Several of the Financial Trustees and the Community Fund Trustees completed this Accreditation Program.

Rodgers Investment Consulting Aboriginal Trust and Investment Workshop provides a forum to focus on aboriginal trusts and offers an opportunity for information and insight into the administration of a Trust. This workshop also brings together community Trustees, Trust managers and industry professionals from across Canada. In 2011, the workshop was held in Winnipeg and several of the Financial trustees and the Community Trustees attended the workshop.

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.

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

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 2011, the TLE Budget was \$350,000.

Addition to Peguis TLE Implementation Budget

In 2011, it was determined that additional funds were required for the TLE Implementation Budget. 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 XXX, the majority of Members approved an additional \$250,000 to be added to the Peguis TLE Implementation Budget.

Land Purchased in 2011

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 Office did look at certain lands for purchase in 2011 and Council provided the Financial Trustees with a Funding Direction for the release of \$27,000.00 in order to ensure the deposit was made on land.

Opening Values – January 1, 2011 (per the 2010 Financial Statements at December 31, 2010)

Cash or Cash equivalent	\$ 25,510.00
Bonds	\$41,496,096.00
Stocks	\$16,055,405.00
TOTAL VALUE	<u>\$57,802,011.00</u>

2011 Income and Expense Summary

Investment Income	\$2,041,126.00
50% Gain on disposal of investment (realized)	\$ 21,994.00
Total Income Received	<u>\$2,063,120.00</u>

Less Trustee Authorized Expenses

Royal Trust Corporation – Custody and Corporate Trustee fee	\$ 109,199.00
Peguis Financial Trustees – Honoraria	\$ 32,000.00
Peguis Financial Trustees – professional development	\$ 13,740.00
Peguis Financial Trustees and administrative staff – travel	\$ 14,611.00
Investment and Trust Consulting fees	\$ 85,413.00
Investment Managers fees	\$ 188,028.00
Professional fees	\$ 8,950.00
Peguis Trust Office expenses	\$ 5,309.00
Peguis Trust Office Administrative Assistant	\$ 5,938.00
Annual General Meeting expenses	\$ 2,500.00
Total Authorized Trustee Expenses	<u>\$ 471,623.00</u>

Less Implementation Expenses and Expenditures

Peguis TLE Implementation Budget and Addition	\$ 463,618.00
Land Acquisition Deposit	\$ 27,000.00

Total Expenses, Expenditures and Budget **\$ 962,231.00**

Net Income **\$1,100,879.00**

Unrealized Capital Gains as at December 31, 2011 **\$1,351,380.00**

Excess Income and capital appreciation over expenses **\$2,452,259.00**

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

Closing Values as at December 31, 2011 (per the 2011 Audited Financial Statements)

Cash or Cash equivalent	\$ 1,761,780.00
Bonds	\$43,085,462.00
Stocks	\$14,631,816.00
TOTAL VALUE	<u>\$59,479,058.00</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.

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 owned by Peguis,
- 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.

2011 – Expenditure Applications Approved

In 2011, the Community Fund Trustees made the following distributions:

<u>Name</u>	<u>Amount</u>	<u>Purpose and Remark</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>	

As these distributions were all less than \$50,000.00 Council approval was not required.

Opening Values – January 1, 2011 (per the 2010 Financial Statements at December 31, 2010)

Cash	\$ 27,354.00
Bonds	\$2,502,734.00
Stocks	\$2,667,386.00
TOTAL VALUE	<u>\$5,197,474.00</u>

2011 Income and Expense Summary

Investment Income	\$ 127,073.00
Taxable capital gains (50% of Realized Capital gain of \$8,068.00)	<u>\$ 3,088.00</u>
Total Income Received	<u>\$ 130,161.00</u>

Less Trustee Authorized Expenses

Royal Trust Corporation – Custody and Corporate Trustee fee	\$ 9,610.00
Peguis Community Fund Trustees – Honoraria	\$ 64,800.00
Peguis Community Fund – professional development	\$ 4,200.00
Peguis Community Fund – travel for Trustees and administrative staff	\$ 4,517.00
Investment and Trust Consulting fees	\$ 7,601.00
Investment Managers fees	\$ 20,845.00
Peguis Trust Administrative Assistant	\$ 5,833.00
Peguis Trust Office expenses	\$ 848.00
Professional Advisors	\$ 3,218.00
Comprehensive Community Plan	<u>\$ 21,304.00</u>
Total Authorized Trustee Expenses	<u>\$ 142,776.00</u>

Less Community Fund Expenditures Approved

Total Approved	<u>\$ 30,000.00</u>
Total Expenses and Expenditures	<u>\$172,776.00</u>
Net Income (deficiency)	(\$ 42,615.00)

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

Closing Values as at December 31, 2011 (per the 2011 Audited Financial Statements)

Cash or Cash equivalent	\$ 63,030.00
Bonds	\$ 2,407,154.00
Stocks	\$ 2,432,900.00
TOTAL VALUE	<u>\$4,903,084.00</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 2011, the Community Fund Trustees held Workshops and information sessions on how to complete the "Funding Applications Packages".

Elders Interviews

During 2011, the Community Fund Trustees interviewed elders of Peguis to obtain and record their personal stories to assist the Community Fund Trustees in making decisions with respect to the Community Fund Trust account.

Comprehensive Community Planning

In 2011, the Community Trustees continued the important work of the Comprehensive Community Planning documentation for Peguis.



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,

2011 Financial Trustees – Peguis First Nation Trust

Sharon Stevenson - Chair

Stephan Daniels

Annette Spence

Diane Bear

Carrie Sutherland (Sherry)

Jemison Jackson, Royal Trust Corporation of
Canada

2011 Community Fund Trustees – Peguis First Nation Trust

Ralph Sutherland - Chair

Lloyd Sinclair

Barry Bear

Freda Bear

Yvonne Houle (Resigned)

Peguis First Nation (TLE) Trust
The Year In Review
for period ending December 31, 2011

The following commentary has been prepared by T.E. Investment Counsel Inc. and is intended to provide an executive level overview of investment related activities for the year ending December 31st, 2011 and for inclusion in the Peguis First Nation (TLE) Trust's Annual Report.

I) 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 40 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
- Investment Manager performance monitoring, measurement and interpretation
- Communication and Education support

II) Statement of Investment Policies & Guidelines (SIPG)

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.

1) Implementation Fund:

a) Purpose

Trust property held within the Implementation Fund shall be applied or distributed by the Financial Trustees and shall only be used for the following authorized uses:

- Select and acquire land for social, economic development; cultural or other purposes of interest to Peguis, including related costs
- Pay the costs of inspection, appraisal, negotiation, capital purchase, tax adjustment and incidental related costs
- Implement the Treaty Entitlement Agreement, including required staff, equipment, travel or other administrative costs pertaining to the purchase of land, monitoring and Reserve creation process
- Pay the reasonable fees and honoraria and general expenses of the Financial Trustees including any form of financial, investment management, legal or other education with will assist in their duties
- Pay the reasonable costs and expenses of professional management, accounting, legal and other services necessary in the administration of Trust property

b) 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

2) Community Fund:

a) Purpose

A Funding Directive shall be issued by the Community Fund Trustees to the Financial Trustees in order to apply or distribute funds for the following authorized uses keeping in mind the financial affordability of the Community Fund to support such uses:

- Provide supplementary health care related services
- Enhance and promote educational opportunities including training, scholarships and bursaries
- Support and assist the special needs of Peguis elders
- Assist Peguis in community development and improvements including construction and maintenance of roads, bridges, ditches, water-courses, buildings, infrastructure etc
- Promote and preserve the cultural heritage
- Encourage community activities including Treaty Days, pow-wow and community gatherings
- Housing assistance
- Promote and establish business or commercial operations
- Protect, preserve and advance the aboriginal Treaty rights of Peguis and its members
- Pay reasonable fees and honoraria to the Community Fund Trustees

b) 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

3) 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 30% at which time rebalancing must be initiated. With this in mind, the target for the total equity exposure has been set at 28% which includes a 10% target for Canadian equities and 18% 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, 2011. We are pleased to report that all asset class holdings and the overall Trust remain within the ranges as permitted by the investment policy as at December 31, 2011. .

Combined Holdings: Peguis First Nation Trust

	Strategic Target Mix	Rebalancing Range	Actual %Weight @ Dec 31, 2011
Cash & Equivalents	5.0%	0% - 10%	4.2%
Canadian Fixed Income	67.0%	63% - 73%	69.7%
Total Fixed Income	72.0%	67% - 77%	73.9%
Canadian Equity	10.0%	5% - 15%	9.5%
Global Equity	18.0%	13% - 23%	18.5%
Total Equity	28.0%	23% - 33%	26.1%

Implementation Fund: Peguis First Nation Trust

	Strategic Target Mix	Rebalancing Range	Actual %Weight @ Dec 31, 2011
Cash & Equivalents	5.0%	0% - 10%	4.2%
Canadian Fixed Income	69.0%	64% - 74%	71.5%
Total Fixed Income	74.0%	97% - 79%	75.7%
Canadian Equity	9.0%	4% - 14%	8.6%
Global Equity	17.0%	12% - 22%	15.7%
Total Equity	26.0%	21% - 31%	24.3%

Community Fund: Peguis First Nation Trust

	Strategic Target Mix	Rebalancing Range	Actual %Weight @ Dec 31, 2011
Cash & Equivalents	5.0%	0% - 10%	3.1%
Canadian Fixed Income	45.0%	40% - 50%	48.7%
Total Fixed Income	50.0%	45% - 55%	51.8%
Canadian Equity	17.0%	12% - 22%	17.4%
Global Equity	33.0%	28% - 38%	30.8%
Total Equity	50.0%	45% - 55%	48.2%

III) Portfolio Structure: Multi-Manager / Multi-Style Solution

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 superior

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 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 a 50% allocation 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 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.

IV) The Investment Managers

As a result of the Investment Manager Search and Selection process completed in 2010, the following investment firms were hired to manage the assets of the Peguis TLE Trust under a multi-manager solution;

- Beutel Goodman Investment Counsel
- Mawer Investment Management Ltd.
- TD Asset Management (bond indexing strategy)

V) Market Commentary – “A Year in Review”

The year 2011 presented investors with a host of challenges – including natural disasters in Asia, political upheaval in the Middle East and carryover from the 2010 European debt crisis. The year may be one that investors are glad to put behind them.

Generally, investment markets started out 2011 on a positive note yet beginning in May, weak economic news from the U.S. and additional disappointing news from Europe sent markets to their lows of 2011 only to be followed with a strong upswing in October. Despite this strong surge to finish out the year, most global equity markets including Canada finished negative for the year ending December 2011.

While recent volatility within equity markets might unnerve even the most savvy investors, the historically low interest rates on bonds and fixed income products seems to offer very little alternative.

In the end, it can be suggested that a diversified portfolio of stocks and bonds continues to be the best approach for most investors over a longer term horizon.

The Peguis TLE Trust

Despite a very challenging year for most investors, the Peguis TLE Trust portfolios provided a solid 5.81% for the year ending December 31, 2011 (per the performance charts below). The overall 72% target for Fixed Income securities served as a tremendous buffer to the generally negative equity markets that investors were exposed to in 2011. The flight by investors to the safety of bonds drove bond returns to significant highs as evidenced by the Trust's one year bond return of 9.06%.

The overall Trust return of 5.81% beat its market benchmark by 0.75% which is a tribute to the investment manager's success over the year.

In addition, the combined performance of the Peguis TLE Trust investment managers ranked in the top 50% of bond managers when compared against the Mercers Fixed Income Universe over the year and in the top 25% of investment managers for Canadian, U.S. and International equities when compared against their peers in these respective asset classes.

We must remind ourselves that investment markets can typically go through many ups and downs over any given one or two year period yet they have historically remained quite resilient over longer term horizons and as such, we are confident that sticking to a disciplined long-term approach remains the best policy.

The following charts provide a portfolio summary for the Implementation Fund, Community Fund and the Peguis First Nation TLE Trust Overall as at December 31, 2011.

VI) Portfolio Rates of Return Summary as at December 31, 2011

Asset Classes	Peguis TLE Trust 1 Year Return Ending Dec 2011	Market Returns by Asset Class	Variance To Market
Canadian Fixed Income	+ 9.06%	+ 9.67%	- 0.61%
Canadian Equity	- 0.73%	- 8.71%	+ 8.63%
US Equity	+ 4.18%	+ 4.41%	- 0.23%
International Equity	- 7.62%	- 10.18%	+ 2.56%
Total Trust Return	+ 5.81%	+ 5.06%	+ 0.75%

VII) Portfolio Valuation Summary for 12 Months ending Dec. 31, 2011

	Implementation Fund	Community Fund	Combined Holdings
Beginning Valuation	\$57,940,116	\$5,192,038	\$63,132,154
Net Transfers	-\$ 544,642	-\$ 163,724	-\$ 708,367
Appreciation	\$ 3,008,099	-\$ 163,660	\$ 3,171,760
Valuation @ Dec 31/11	\$60,403,573	\$5,191,974	\$65,595,547

Portfolio Valuation Summary since Inception (Q3/10) as at Dec.31, 2011

	Implementation Fund	Community Fund	Combined Holdings
Beginning Valuation	\$56,728,979	\$5,025,577	\$61,755,556
Net Transfers	-\$ 1,086,493	-\$ 221,420	-\$ 1,307,913
Appreciation	\$ 4,761,087	\$ 386,817	\$ 5,147,904
Valuation @ Dec 31/11	\$60,403,573	\$5,191,974	\$65,595,547

**Valuations may differ slightly to other financial reporting as a result of differences in accrual rates and foreign exchange conversion rates.

In Closing

We are pleased to report that each of the Investment Managers and the Trust as a whole remain in compliance with the Statement of Investment Policies and Guidelines as of December 31, 2011.

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 Mawer Investment Management, Beutel Goodman Investment Counsel and TD Asset Management for the investment management of the portfolios of the Peguis First Nation (TLE) Trust.

For further information or clarification, please contact either of,

**Jack Jamieson, T.E. Investment Counsel Inc., 20 Erb Street West, Suite 501, Waterloo, Ontario,
(B) 519-888-0537, Email: jjamieson@teic.com**

or

**Blaine Knott, T.E. Investment Counsel Inc., (B) 780-222-4273, E-mail: bknot@tewealth.com
INVESTMENTS FOR PEGUIS FIRST NATION TRUST**

