



Peguis First Nation Trust (TLE Trust)

2014 Trust Administration Report

Prepared by: Financial Trustees: Royal Trust Corporation
of Canada, Stephen Daniels, Diane Bear,
Sharon Stevenson, and Carrie Sutherland

And

Community Fund Trustees: Lloyd Sinclair
Ralph Sutherland, Barry Bear, and Freda
Bear

**PEGUIS FIRST NATION TRUST
ANNUAL TRUST REPORT FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014**

Background

The Peguis First Nation Trust entered into a Treaty Entitlement Agreement with Canada and the province of Manitoba whereby 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.

By Ratification Vote held on September 7, 2007, Peguis First Nation approved the Peguis First Nation Trust Agreement.

In 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.

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 expenditures of the Implementation Account and the Community Fund Account, as well as the investments for the Trust.

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. The Financial Trustees distribute the Trust Property in accordance with the Funding Directions issued by Council and/or the Community Fund Trustees, as the case may be. The Implementation Account is to be used to acquire land to be registered in the name of Peguis, as well as, to cover discharging expenses associated with the purchase of land and other implementation administration expenses of the Treaty Entitlement Agreement.

The Financial Trustees for the Trust are: Stephen Daniels, Sharon Stevenson, Diane Bear and Carrie Sutherland. Under the terms of the TLE Trust Agreement at least one Community Fund Trustee must be located off Reserve. There is a vacancy for this position currently.

The Trust Agreement calls for Council to appoint two additional Trustees, one of which must be either a lawyer or a Trust Company and the other Trustee a chartered accountant. Council appointed Royal Trust Corporation of Canada. Council is currently in the process of interviewing potential chartered accountants to act as Financial Trustee for the Trust.

The Community Fund Trustees

The Community Fund Trustees have no responsibility for the financial administration of the Peguis First Nation Trust. The Community Fund Trustees identify and determine or recommend to Council or to Council and the Members "Expenditures Beneficial to Peguis First Nation" from 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.

Lloyd Sinclair Chair, Ralph Sutherland, Barry Bear, and Freda Bear are the elected Community Fund Trustees.

Under the terms of the TLE Trust Agreement at least one Community Fund Trustee must be located off Reserve. There is a vacancy for this position currently.

The Implementation Account

Opening Values

As at January 1, 2014, the opening value of the Trust was \$39,171,159

2014 Income and Expense Summary

Income Received	2014
Interest earned	\$3,284,338
Total Income Received	\$3,284,338
Less Authorized Expenses	
Annual General Meeting	\$ 6,451
Office Expenses	334
Trust Office Administrative Assistant	4,420
Professional Fees	29,025
TLE Implementation Budget	379,533
Foreign Exchange	64,466
Investment Consulting Fees	26,900
Royal Trust Corporation, Trustee Fees	77,400
Investment Manager Fees	123,477
Professional Development	3,900
Travel	17,125
Honorarium	10,400
Land Acquisition Costs	<u>5,716,847</u>
Total Authorized Expenses	\$6,460,278

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

Closing Values

As at December 31, 2014, the closing value of the Implementation Account is \$35,995,219.

Authorized Uses of the Implementation Account

- To purchase land 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, purchase transaction, holding, tax adjustment and incidental costs, including agents, representatives 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 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

The Process for Paying Expenditures and the Purchasing of Entitlement Land

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

For paying 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 and a description of any charges or security arrangements
- A Council Resolution approving expenditure for implementation purposes

For purchase of Entitlement 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 capital 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.

The Community Fund Account

Opening Values

As at January 1, 2014, the opening value of the Community Fund Account was \$ 6,211,037.

2014 Income and Expense Summary

Income Received	2014
Interest earned	\$605,433
Total Income Received	\$605,433
Less Authorized Expenses	
Community Distributions	\$253,229
Office Expenses	5,883
Trust Office Administrative Assistant	4,420
Royal Trust Corporation, Corporate Trustee Fee	12,884
Annual General Meeting	5,076
Investment Managers Fees	23,646
Investment Consulting Fees	4,675
Professional Fees	1,785
Travel	8,190
Honorarium	<u>19,600</u>
Total Authorized Expenses	\$339,388

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

Closing Values

As at December 31, 2014, the closing value of the Community Fund Account is \$ 6,477,082

Authorized Uses for Expenditures for Community Purposes

- 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

The Process for Paying Expenditures for Community Purposes

The Community Fund Trustees and/ or Council may deliver a Funding Direction to the Financial Trustees, 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 and a description of any charges or security arrangements
- An Ordinary Resolution by the Community Fund Trustees approving or recommending any Expenditure Beneficial to the Beneficiary for Community Purposes

Community Fund Approval Process

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 \$54,285.33 may be approved by the Community Fund Trustees
- Applications for funding over \$55,678.46 and up to \$162,855.98 must also be reviewed and approved by Chief and Council
- Applications for funding over \$162,855.98 must be reviewed and approved by both Chief and Council and by the Members at a meeting of Members.

Important Dates Relating to the Funding Application Process:

- 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 by no later than April 15th annually.
- Allocation of funding amounts to successful applicants will commence starting by April 30th each year to December 31 of the same year unless written extension request with valid reason is submitted.

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

2014 – Expenditure Applications Approved

In 2014, the Community Fund Trustees funded the following applications:

Applicant	Description	Amount
MASRC	Team Manitoba	\$ 10,000.00
Ronald Sinclair	Fishing Business	\$ 20,000.00
Roland Sinclair	Fishing Business	\$ 21,000.00
William Walker	Fishing Business	\$ 13,200.00
Oliver P. Bear	Farming Expansion	\$ 13,200.00
Gerald Bird	Fishing Business	\$ 13,200.00
Justin Bird	Fishing Business	\$ 13,200.00
Peguis Gaming Commission	Winter Carnival	\$ 5,000.00
Peguis Arena Committee	Sponsorship Elder Seating	\$ 4,066.64
Peguis Recreation & Leisure	Sauna & Zamboni	\$ 76,551.51
MASRC	Team Manitoba	\$ 2,000.00
PFN Community Service Program	Community Funeral Program	\$ 26,400.00
PFN Training & Employment	2014 Youth Work Program	\$ 20,000.00
Peguis Grad Committee	Highest Academic Awards	\$ 1,000.00
Peguis Wrestling Team	Team Uniforms	\$ 3,001.35
Peguis Recreation	Adam Beach Mobile Theatre	\$ 3,000.00
Peguis Recreation	July Arena Feast	\$ 5,000.00
Peguis Powwow Committee	2014 Annual Powwow	\$ 2,500.00
Peguis Recreation	2014 NAIG Team MB	\$ 3,000.00
Gary McCorrister	Cultural Gathering	\$ 500.00
Peguis Recreation	October Arena Feast	\$ 5,000.00
Peguis Gaming Commission	Seminar & Round Dance	\$ 3,000.00
TOTAL PAID		\$ 263,819.50

Beginning Trust Assets - \$5,150,473.00

Total Grants Approved Ending December 31, 2014 – \$502,825.17

Ending Trust Assets December 31, 2014 - \$6,498,384.00

Total Grants Approved Ending December 31, 2014 – \$502,825.17

Applicants	2010	2011	2012	2013	2014
Submitted	1	20	10	14	46
Approved	1	6	7	8	29
Funds Issued	\$50,000	\$51,303.67	\$22,500.00	\$115,202.00	\$263,819.50

Peguis TLE Office

Nathan McCorrister is the TLE Executive Director for TLE Implementation to assist Council with the acquisition of Entitlement Land. As Executive Director for TLE Implementation, Nathan's primary duties are:

- To ensure the successful purchase and selection of 166,794 acres of land to be converted to Reserve Land
- To develop a Strategic Plan to purchase TLE land
- To support Chief and Council;
- 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;

The TLE 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 2014, the TLE Budget was \$379,533.

T.E. Wealth Investment Counsel Inc (“TE Wealth”)

Market Commentary – “A Year in Review”

Perhaps 2014 will be remembered as another year of surprises for investors. The big story was the more than 50% decline in the price of oil from its summer peak. As analysts and economists attempt to quantify the fallout from lower-cost crude on the world economy, the impact on the Canadian market was clear. Energy stocks, which comprise about a quarter of the Canadian stock market index (S&P/TSX index) collectively fell more than 21% in the latter half of 2014. Fortunately, this decline was countered by mainly strong results from the broader index. All told, the S&P/TSX index closed-out 2014 with a 10.6% return.

Along with the downturn in oil prices, we saw the value of the Canadian dollar slide to 86.2 cents US at the end of 2014. One positive effect of our dollar's decline was enhanced US equity returns earned by Canadian investors. The S&P 500 index gained 24.0% in Canadian dollar terms for 2014 compared with 13.7% in US dollar terms. Furthermore, while the Canadian stock market is feeling the pinch from lower energy prices, the weaker dollar should help the country's manufacturers and exporters.

Another completely unexpected occurrence was strong results from bond investments with the FTSE TMX Canada Bond index posting a return of 8.8% for the year. This certainly helped the overall Peguis TLE Trust returns given that roughly 70% of the portfolio is held in bonds. Given the relatively low level of interest rates to begin the year, further declines were not expected in 2014. However, as inflation expectations diminished and equity markets went through bouts of volatility, short-term rates remained anchored while longer-term rates steadily fell which drove bond prices significantly higher. At the end of the year, the yield of the FTSE TMX Canadian Universe Bond index was 2.23%.

What stories will dominate headlines and steer the markets in 2015? There is certainly no shortage of possibilities. If you follow the prognostications of the financial press, though, investors might fixate on the continued decline in the price of oil, the US Federal Reserve Board's stance on interest rates, Russia's next geopolitical move, China's slowing growth, or on the expansion of stimulus in Europe and Japan. With all of this in mind, a reflection at year end always reinforces that predicting short-term movements in order to time the market is a challenging – and often unrewarding endeavor. All the more reason to continue to follow your investment strategy, with diversified exposure to various asset classes, economies and sectors.

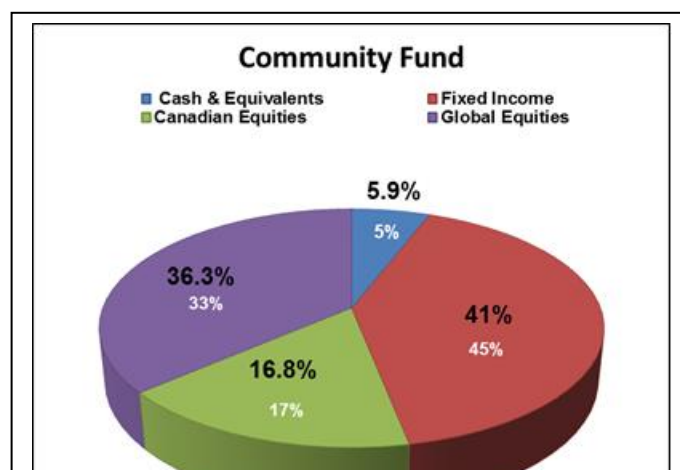
Peguis TLE Trust Performance

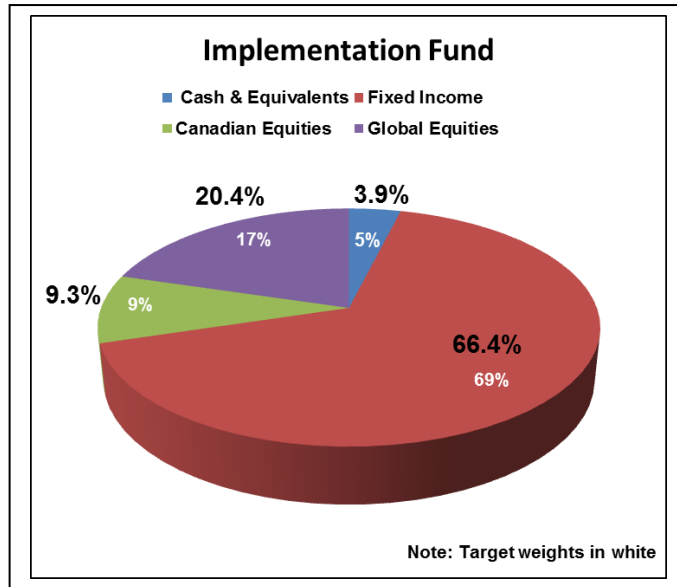
T.E Wealth is pleased to report that the combined holdings of the Peguis TLE Trust provided a solid 9.48% return for the year ending December 31, 2014 (or a gain of \$3,735,179) and continues to provide a 7.42% return (up \$15,662,004) since inception which has added value over the market benchmark by a margin of 0.86%. This performance remains well ahead of the Trust's average annual return target of 5.5% (per the performance charts below).

While such strong performance is certainly welcomed, expectations for similar performance in the future should be tempered to returns that are more in line with the 5.5% Trust objective.

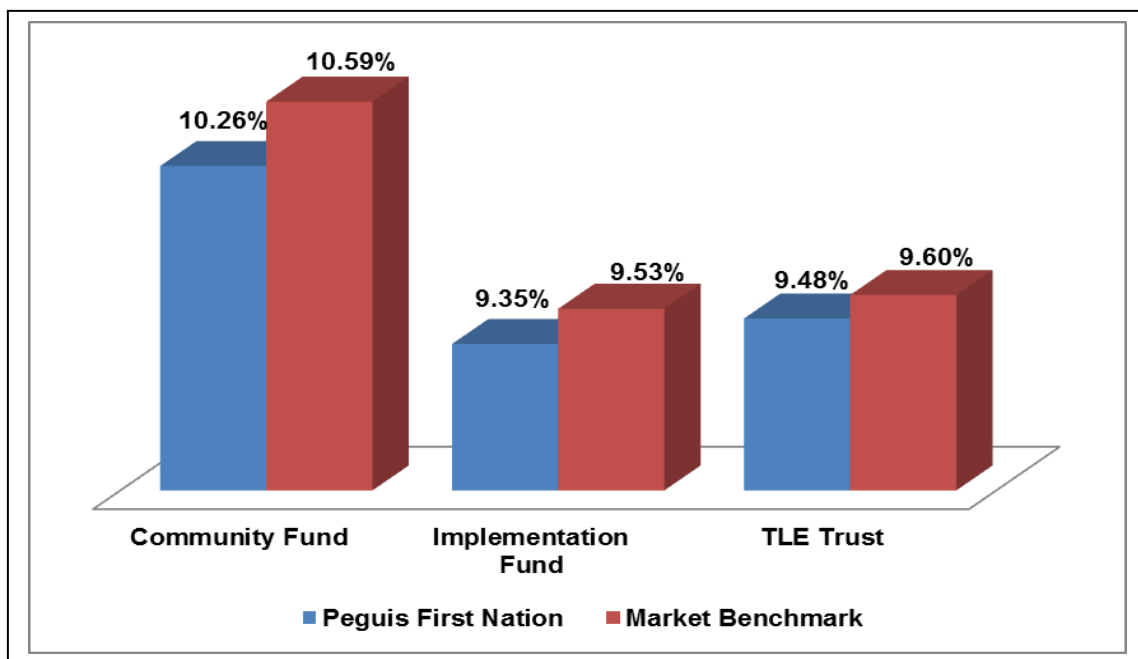
Mawer Investment Management has provided the largest contribution with a 8.73% return since inception which has overshadowed Beutel Goodman's 8.09% performance despite both managers outperforming the market by 1.29% and 0.65% respectively. The Trust's overall bond performance recognized a 7.65% return over the year which is a significant contribution given the historically low interest rate environment the markets currently face. This has been a welcome relief in light of the fact that roughly 67% of the combined holdings are held in bonds. The fact that each manager excelled in different aspects of the portfolio reminds us of the benefits of a multi-manager / multi-style investment structure as has been implemented.

Asset Mix Breakdown at December 31, 2014: Actual versus Target

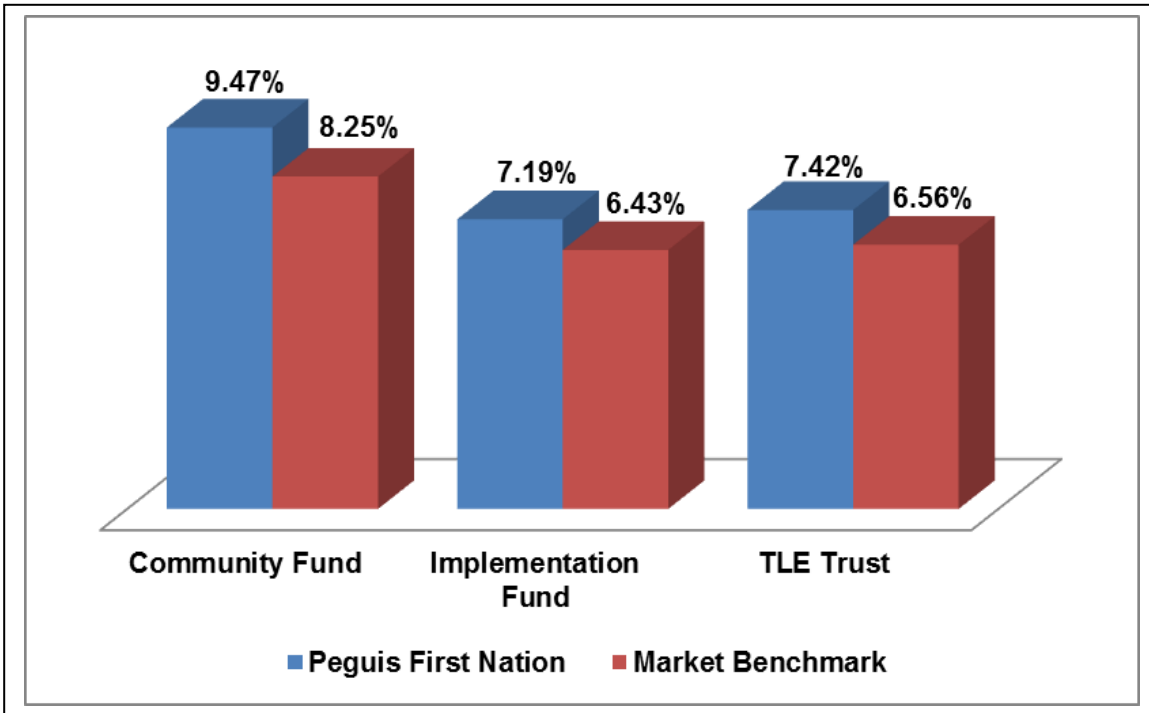




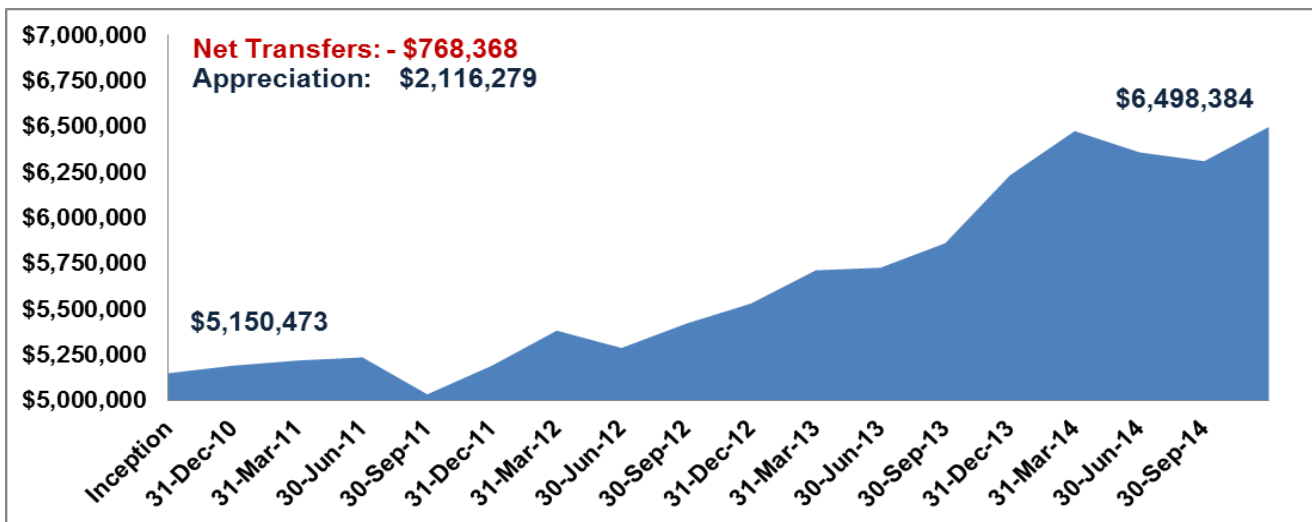
Annual Rate of Return Summary as at December 31, 2014



Inception Rate of Return Summary as at December 31, 2014



Community Fund Portfolio Valuation Since Inception to December 31, 2014



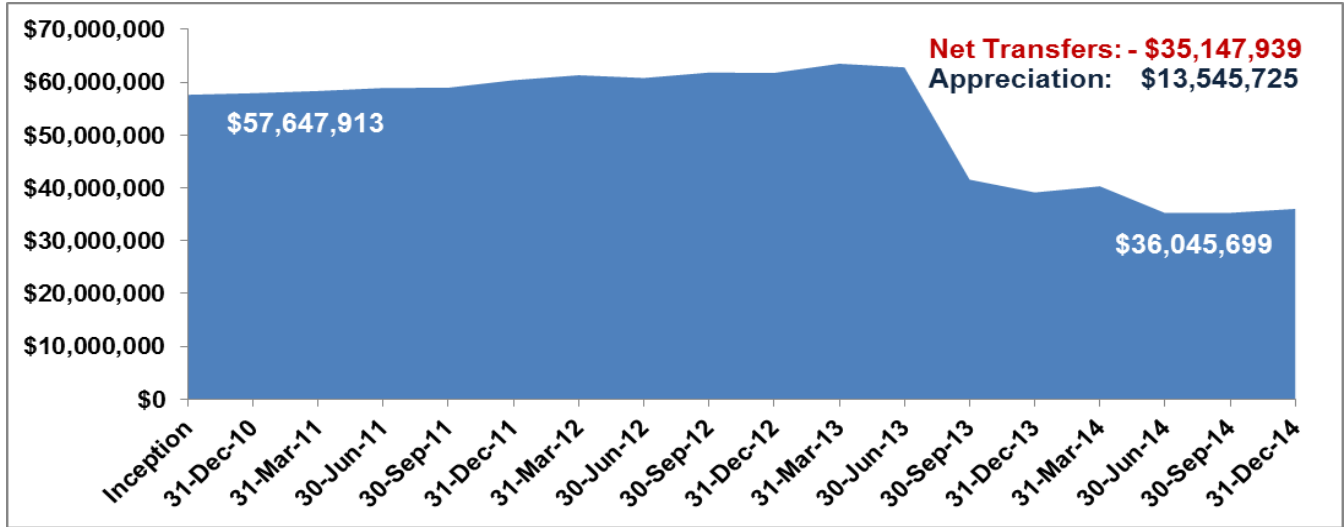
Market Value as at March 31, 2015: \$6,855,904

Net Transfers Since Inception: - \$812,631

Appreciation Since Inception: \$2,518,062 11

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

Implementation Fund Portfolio Valuation Since Inception to December 31, 2014



Market Value as at March 31, 2015: \$33,311,999

Net Transfers Since Inception: - \$39,777,569

Appreciation Since Inception: \$15,411,655

Top Equity Holdings - December 31, 2014



Top Equity Holdings

(as at Dec 31, 2014)

In Closing

T.E. Wealth considers it a privilege and an honor to support the Trustees of the

Peguis First Nation TLE Trust and we are pleased to confirm that the Trust portfolio continues to outperform all of its performance targets over the year and since its inception.

T.E. Wealth will continue to apply a due diligent process in the monitoring of the investment 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.

Conclusion

We are honoured to provide you with our fiduciary services in the administration of the Trust. We look forward to working for you as Trustees for Peguis First Nation TLE Trust for the benefit of the community and future generations.

Respectfully submitted,
Peguis First Nation TLE Trust

Financial Trustees

Stephan Daniels - Chair

Sharon Stevenson

Carrie Sutherland

Diane Bear

Sangita Bhalla, Royal Trust Corporation of Canada,
Corporate Trustee

Community Fund Trustees

Lloyd Sinclair - Chair

Ralph Sutherland

Barry Bear

Freda Bear