

Pasqua Legacy Trust



Investment Report December 31st, 2020

The Trust was amended April 1, 2019 and contains funds received from both the Pasqua First Nation 1906 Surrender Claim and Pasqua Flooding Claim Settlements.

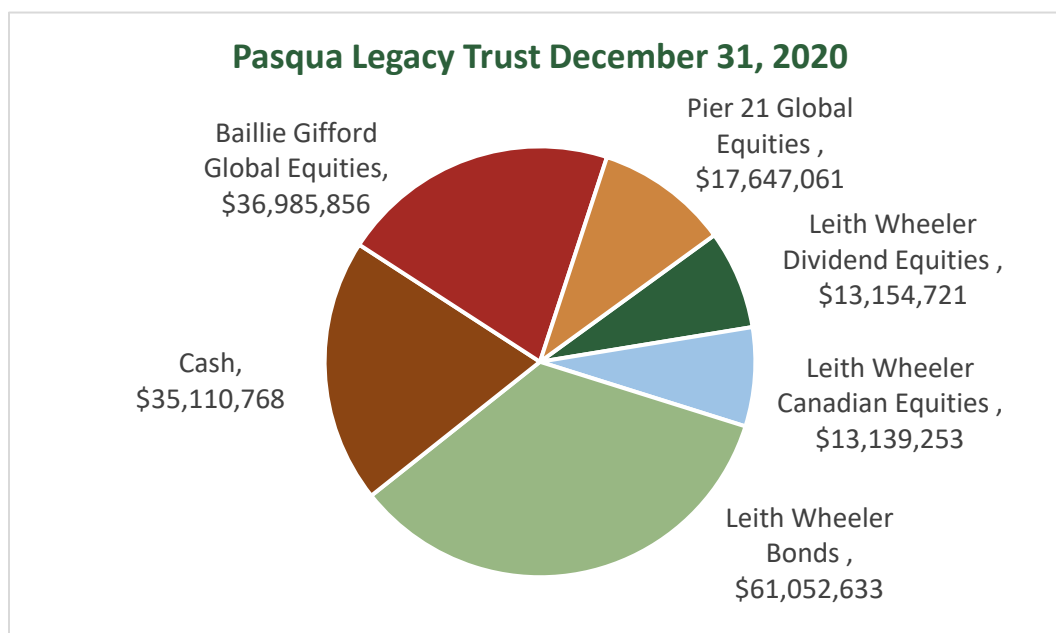
The Trust's value as of December 31st, 2020 was 178,890,291.

Your Annual Payment of \$4,189,856 was paid out of the trust on April 1, 2020.

Asset Allocation & Implementation

The mix of investments (asset allocation) chosen creates a balance between generating the desired amount of long-term growth and income with an acceptable degree of potential market volatility (the ups and downs). To protect the Trust from any potential initial negative stock market moves, the investing in equities will occur in stages:

Asset Mix %s	Initial in 2019	September 30, 2019	December 31, 2020	June 30, 2021
Canadian Equities	5	10	15	20
Global Equities	10	20	30	40
Universe Bonds	35	35	35	35
Cash & Equivalents	50	35	20	5
Total	100	100	100	100



An additional \$1,800,000 has been invested in Atlantis Research Labs Inc. Implementation rebalancing due to occur around year-end.

Goals and Objectives of the Legacy Trust

The Trust has a very long-term investment horizon. The investment objectives of the Fund are to:

- Protect the real value of the Fund after inflation, costs and spending. In other words, the value of the Fund needs to increase as much, if not more, than the increases in the costs of goods and services.
- Provide a stable 4% Annual Payment to the First Nation's Revenue Account.
- Using 2% as an estimate of long-term annual inflation, to satisfy both requirements an after-cost average rate of return in excess of 6% will be needed.

Average Annualised Rates of Return % at December 31, 2020	3 Months %	1 Year %	2 Years %	3 Years %	Since 1 st May 2019 %
Pasqua Legacy Trust	4.69	17.15			11.43
<i>Trust's Benchmark Return</i>	3.07	7.47			6.50
Value Added	+1.62	+9.68			+4.93

Summary of Investment Manager Returns - Average Annualized Rates of Return

Average Annualised % Rates of Return December 31st, 2020	3 Months %	1 Years %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Baillie Gifford LTGG Composite	14.1	100.0	60.2	40.4	41.6	30.2	31.3	29.1	30.7	29.5	25.4
Pier 21 Global Value Composite	3.5	6.9	9.2	8.2	8.9	7.6	11.6	12.2	15.2	14.4	12.4
<i>MSCI World Index C\$ index</i>	8.8	14.5	18.1	11.8	12.6	10.9	12.3	12.7	15.3	15.2	13.3
Leith Wheeler Dividend Fund	14.7	0.9	10.5	2.4	4.4	9.3	6.3	6.4	8.4	9.2	8.5
Leith Wheeler Canadian Equity	14.0	7.0	13.7	4.6	6.0	10.5	6.4	6.8	8.9	9.6	8.1
<i>S&P/TSX Composite Index</i>	9.0	5.6	13.9	5.7	6.6	9.3	6.2	6.8	7.5	7.5	5.8
Leith Wheeler Core Active Bond Fund	0.9	8.8	8.2	5.9	5.2	4.6	4.4	5.1	4.4	4.4	5.0
<i>FTSE TMX Canada Universe</i>	0.6	8.7	7.8	5.6	4.8	4.2	4.1	4.7	4.0	3.9	4.5

For both Baillie Gifford and Pier 21 composite performance numbers are shown as opposed to fund returns as this provides longer historical information. The two sets of returns may differ.

An Overview of Your Investment Structure

Safekeeping and Oversight

CIBC Trust was retained to act as the Corporate Trustee of the Trust. Some of their responsibilities include:

- Physically holding all the assets of the Trust to ensure their safekeeping;
- Administering the Trust in accordance with the terms of the Trust;
- Ensure that the Trust investments are managed prudently.

Investing the Moneys in the Trust

Aboriginal Investment Consulting LP has been retained to aid with:

- the development of the investment plan for the Trust (the Statement of Investment Policies & Procedures);
- The selection of Investment Managers to manage the day to day investments on behalf of the Trust;
- The ongoing monitoring of the Investment Managers.

An Introduction to your Investment Managers

Three different Investment Management firms were hired to manage the different investment components within the Trust. Each has the day-to-day responsibility to manage the investments. This will involve deciding to purchase investments that they believe it will be advantageous to do so, and to sell investments where they have found better alternatives.

Baillie Gifford for Global Equities – Growth Investment Style

Ballie Gifford was founded in Edinburgh, Scotland, in 1908 and manages over C\$350 billion of client funds.

Their investment style is “Growth”, where they look for companies that can grow their earnings many times larger the current amount. We would expect their returns to be very high in “up markets” but would likely be less than average in “down markets”.

Pier 21 (ValueInvest Team) for Global Equities – Value Investment Style

The ValueInvest Asset Management Team (part of Macquarie Group from Australia) is located in Luxembourg and specialise in managing in excess of \$5 billion of global equities.

Their investment style is “Value”, where they look for high quality companies where they feel the markets have undervalued them. We would expect their returns to hold up extremely well in down markets but could lag in very strong markets.

Leith Wheeler

Leith Wheeler was founded in Vancouver, in 1982 and manages over C\$17 billion of client funds. They have been hired to manage the Trust’s investments in Canadian equities and Canadian bonds (fixed income).

Leith Wheeler for Canadian Equities –Value Investment Style

They seek to invest in companies with stable earnings with a long-term business model and management team that they have a high level of comfort in. As value investors, they tend to include companies in the portfolio when they are “out of favour” by the market and have declined in price. By purchasing these companies after a price decline, they find that they are able to control risk in the portfolio as these investments often have less downside risk while offering a decent potential return.

Their **Canadian Equity** strategy attempts to provide superior long-term investment returns by investing in a diversified portfolio of Canadian common shares, convertible debentures and other equity related securities.

Their **Dividend Canadian Equity strategy** provides investors with a source of monthly income, with some potential for long-term growth through capital appreciation and growth in dividends.

Leith Wheeler for Canadian Fixed Income (Bonds)

Leith Wheeler’s investment philosophy is a conservative approach that focuses on Value, Discipline and Diversification. Their style has led to extremely high relative longer-term returns, and with very low volatility.

They have invested in over 250 different fixed income securities including bonds issued by: The Federal Government, Provinces, Investment Grade rated corporations, municipalities etc.

Some Investment Basics

A **bond** is typically a fixed income investment that represents a loan made by an investor to a borrower (Federal government, province, corporation etc.). A bond is an I.O.U. between the lender and borrower that includes the details of the loan and its payments. Bonds are used by companies, municipalities, provinces, and governments to finance projects and operations.

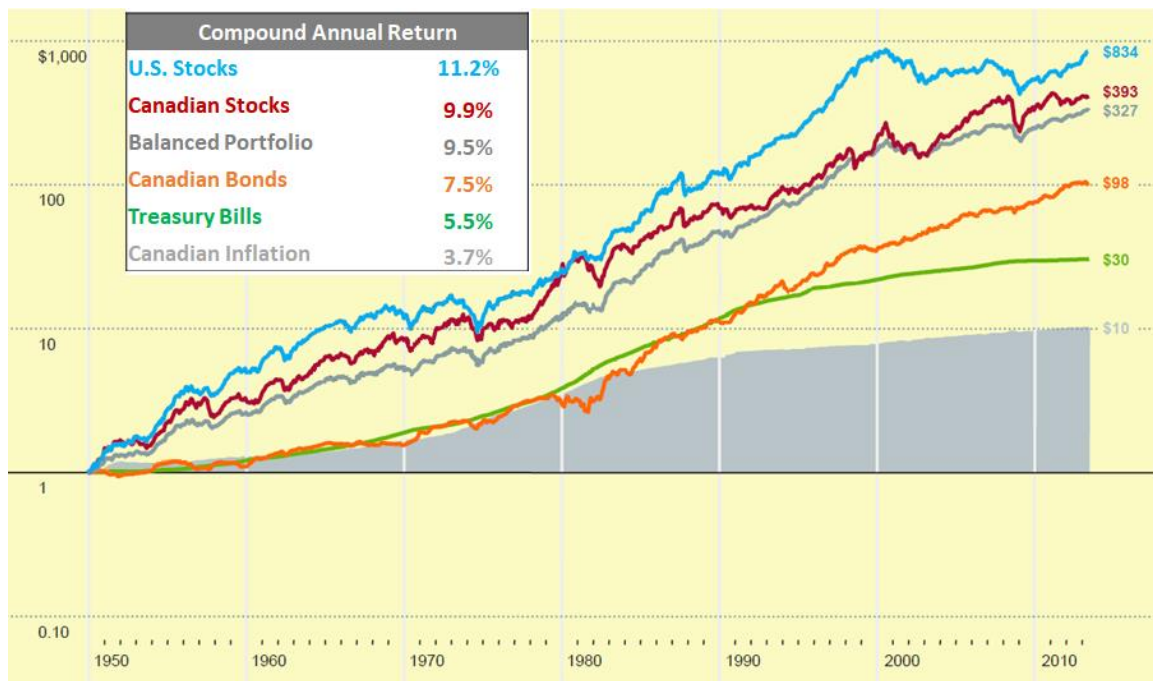
Equities, also known as stocks, represent a share of the ownership in a company. An investor who purchases a stock therefore becomes one of the owners of that company. Some companies pay “**dividends**” to their owners, whilst others reinvest their profits back into the business so the company may experience greater growth.

Treasury Bills represent loans of less than a year to the federal government and fit into the “Cash & equivalents” category.

Inflation refers to the rise in the cost of goods and services over time.

The following chart shows what \$1 invested in 1950 in the market index for each type of investment would have grown to by 2013. The grey shaded area shows that it now takes \$10 to buy what \$1 did back in 1950.

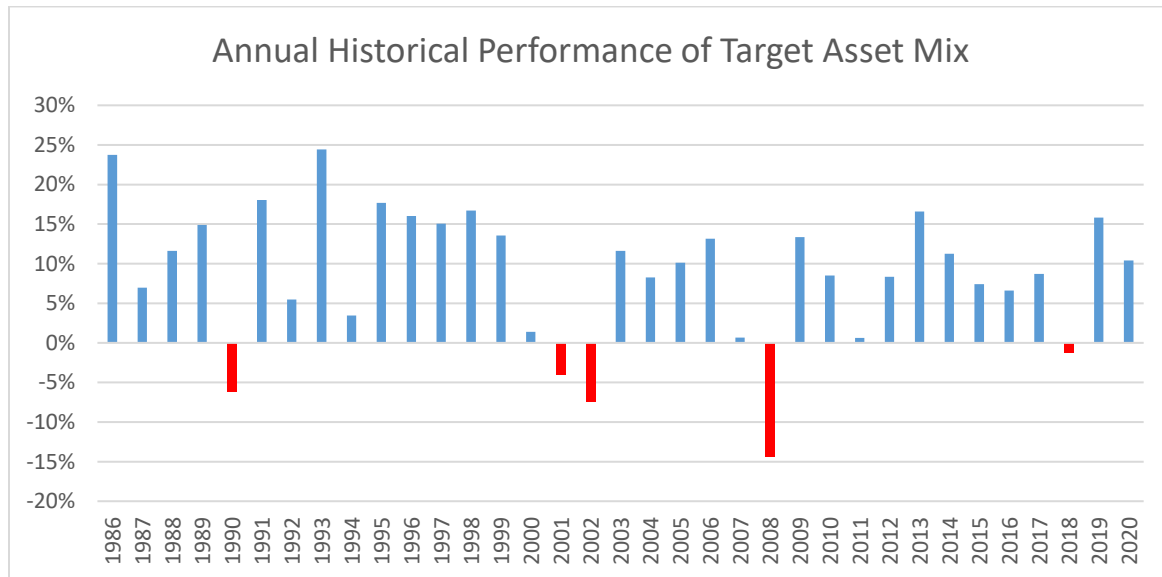
Investments in Equities (stocks) has provided by far the highest returns over this period, however it is important to note that there are periods when the stock markets go down in value over a year or more. Investors must recognise that this will happen eventually.



Historical Performance

The final chosen asset mix of investments would have provided the following returns in each calendar year since 1986, if invested in market indices (shown above for each asset class).

The important thing to note is that returns are very erratic, and in some years the returns are negative.



The largest one-year returns were about 25% which occurred in 1986 and 1993. There have now been five negative years since 1985, the worst being approximately minus 15% in 2008.

Considering the strength of markets over the last 12 years, history would suggest that additional market pull backs will inevitably occur at some future date. The unknowns are when they may occur, how long will they last and how large will be the declines.

While the long-term goals of the trust should be met over the long term, the next few years could pose a more challenging investment environment. Only time will tell.

This report respectfully submitted by:

Mark F Williams, CFA

President, AIC Aboriginal Investment Consulting GP Ltd.

January 20th, 2021

