

Pasqua Legacy Trust

Report to Members September 30, 2019



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.

Value of the Trust

The Trust has grown to \$162,108,858 as of September 30, 2019.

Goals and Objectives of the Legacy Trust

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

- Protect the real value of the Trust after inflation, costs and spending. In other words, the value of the Trust 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.

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 Legacy 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.

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.

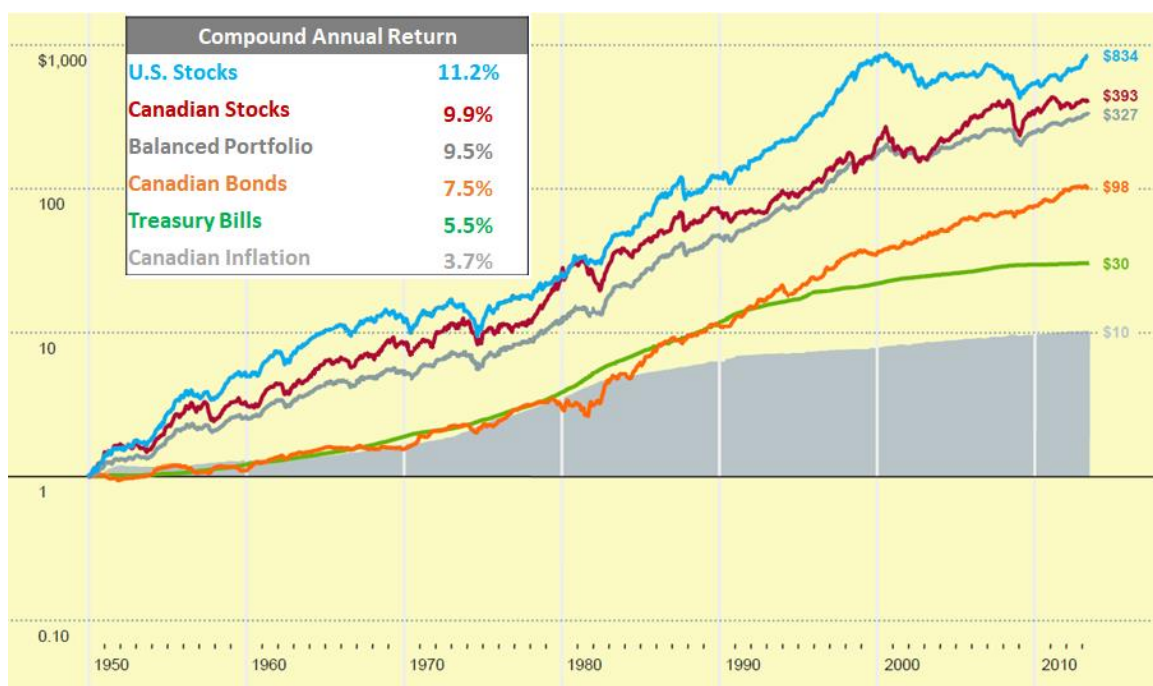
Equities, also known as stocks, represent a share of the ownership in a company. An investor who purchases a stock therefore becomes one of the owners of that company. Some companies pay dividends to their owners, whilst others reinvest their profits back into the business so the company may experience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

Treasury Bills represent very loans of less than a year to the 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.



Mix of Investments & Implementation

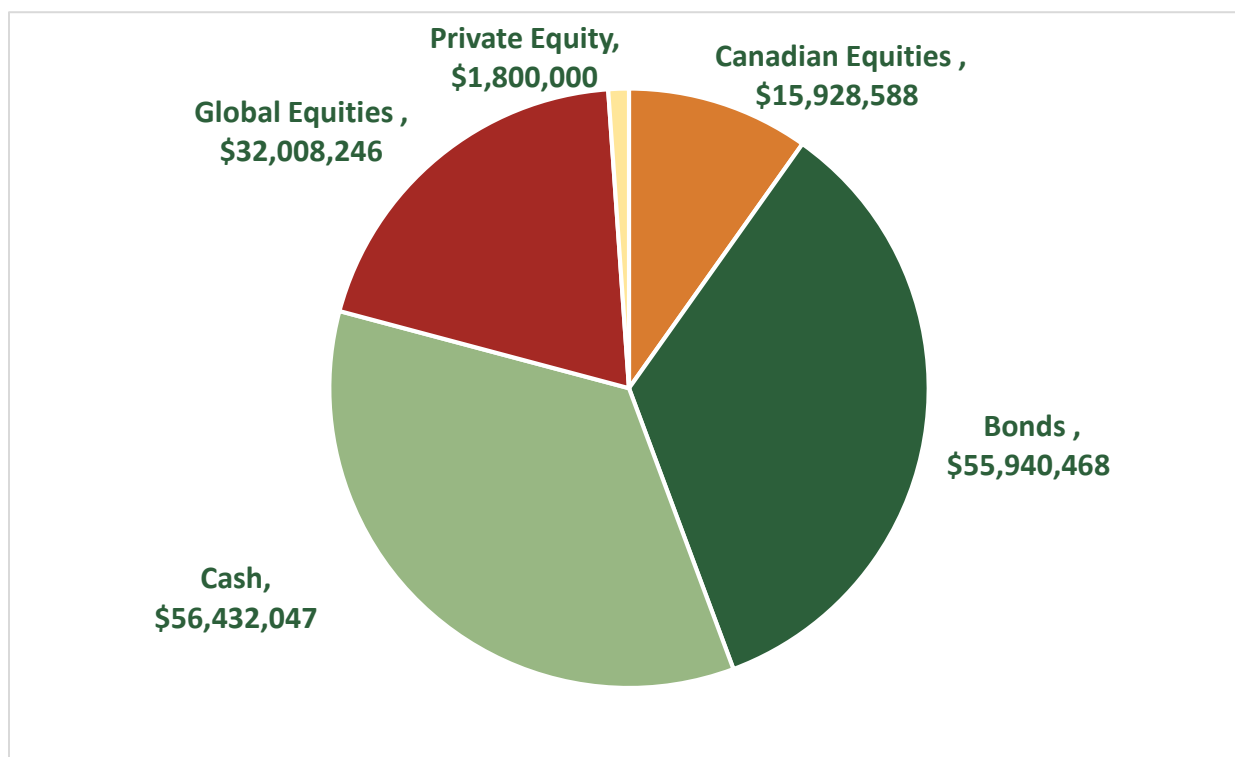
The mix of investments chosen was to create a balance between generating the desired amount of long-term growth and income with an acceptable degree of potential market volatility (the ups and downs). Different types of investments managed by different managers ensures that not all your investment eggs are in the same basket.

To protect the Trust from any potential initial negative stock market moves, the investing in equities will occur in stages (as follows). As of September 30, 2019, half of the final allocation to equities and all the allocation to bonds has been made. The funds that will be invested in equities in the future are currently invested in interest bearing Cash & Equivalents.

Asset Mix %s	Initial, 2019	September 30, 2019	March 31, 2020	September 30, 2020
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

The above allocations exclude the \$1,800,000 investment in Private Equity.

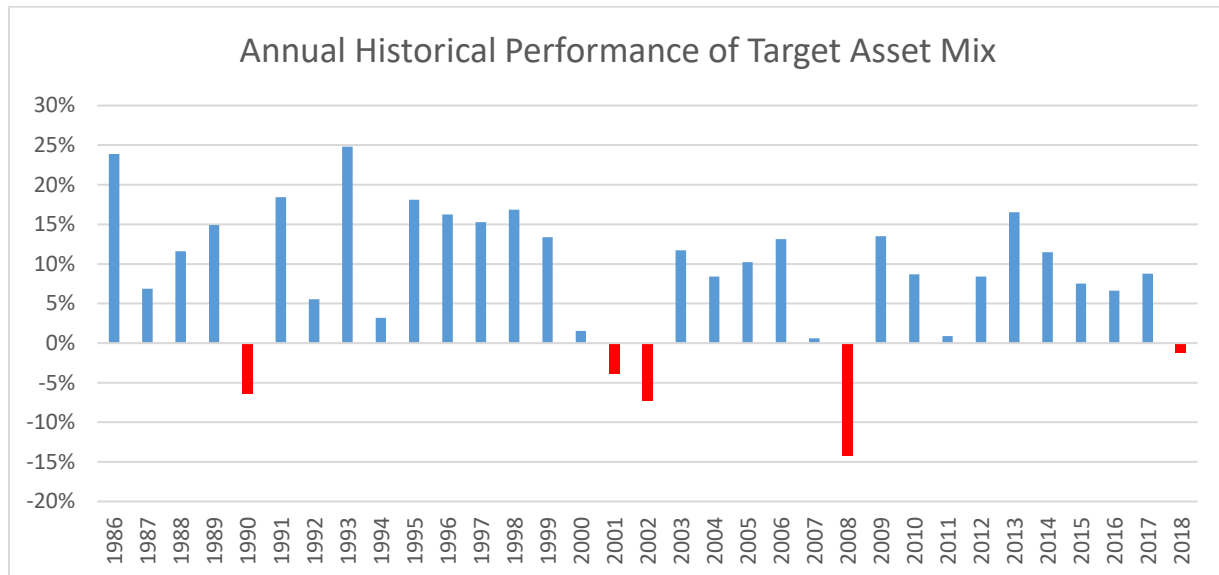
The total dollar amounts invested in each type of investment are currently:



Historical Performance of the Mix of Investments

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

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.

2018 was on course to be the tenth successive positive return year in a row for the target asset mix when the fourth quarter struck, taking away all the returns and pushing it into negative territory.

Considering the strength of markets over the last 10 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.

An Introduction to your Investment Managers

Baillie Gifford for Global Equities – Growth Investment Style

Baillie 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 than 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.

ValueInvest Team (Pier 21) - 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 for Canadian Equities- Value Investment Style

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).

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.

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.

Private Equity

The Trust holds \$1,800,000 worth of shares in Atlantis Research Labs based in Regina.

Companies That You Own in Your Trust

The following is a sample of some of the companies that each investment manager has invested in on behalf of the Trust.

Baillie Gifford “Long Term Global Growth Fund”



Some of the 33 different companies they hold in their portfolio include:

Amazon.com	Tencent	Tesla Inc	Facebook	Alibaba
Alphabet	Illumina	Workday	Kering	Netflix
L'Oréal	Hermès	Salesforce	HDFC	Ctrip.com
Atlassian	Spotify	Intuitive Surgical	Shopify	Bluebird Bio

ValueInvest “Pier 21 Global Value Pool”



Some of the 36 different companies they hold in their portfolio include:

Kimberly-Clark	Nestle	Pfizer	Roche	Asahi Group
General Mills	G4S	KDDI Corp	Adidas	Kerry Group
Securitas	Swatch	Danone	Ahold Delhaize	Publicis Grp.
Kirin	Clorox	Merck	Seven & I Holdings	Waste Mgmt.

Leith Wheeler Canadian Dividend Fund



Some of the 33 different companies they hold in their portfolio include:

CN Railway	RBC	CN Resources	TD	Mullen Group
BNS	Cineplex	Open Text	CIBC	Sleep Country
Finning	Canadian Tire	Great West Life	Saputo	Manulife
A&W	Toromont Inds.	Brookfield AM	Hydro One	Rogers Com.

This report respectfully submitted by:

Mark F Williams, CFA

President, AIC Aboriginal Investment Consulting GP Ltd.

January 13, 2020

