



Peguis
FIRST NATION

Surrender Claim Trust Trustees' Annual Report

For The Period Ending
December 31, 2013

Community Fund Trustees



Katina Cochrane



Robert Delorme



Lloyd Sinclair



Hal Sutherland

Financial Trustees



Eric Bear



Elva McCorrister



Gerald McCorrister



Errol Wilson

Our Mission Statement

“To manage and safeguard the Trust so it will benefit the people of Peguis for all time. We are dedicated to apply our resources to support Peguis, to build a strong nation, to elevate the quality of life for our people and to preserve and protect the legacy that defines us as a sovereign nation.”

Background

On June 29, 1998, after 91 years of struggle by Peguis First Nation, Canada confirmed it agreed with Peguis that the 1907 surrender of the St. Peter’s Reserve was void and legally invalid due to Canada’s failure to comply with requirements of the Indian Act of 1906. Canada and Peguis entered into negotiations to compensate Peguis for its loss of land and economic loss as a result of this illegal surrender.

On June 13, 2009, Peguis members voted in favour of the proposed settlement claim and the agreement was ratified by the parties on October 4, 2010.

The total settlement amount was \$126,094,903.00. Upon payment of settlement costs and legal fees Canada deposited \$118,750,000.00 in to the Peguis First Nation Surrender Claim Trust.

The duties and responsibilities of the Trustee are contained in the Trust Agreement. Each year the Trustees are required to provide Chief and Council and upon request, any member 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 and a report on the investments of the Trust.



Financial Operations Report

Investment Income Received for the Period

The investment income and capital gains generated from Trust investments for the period was \$5,426,500.

Expenditures Incurred for the Period

Expenditures incurred for the period totalled \$1,027,511 and were comprised of Corporate Trustee fees, investment management and consulting fees, Trustee expenses and related costs and other professional fees as follows:

Investment Management fees	\$ 296,566
Investment Consultant fees	58,698
Accounting/Legal/other professional	29,385
Corporate Trustee fees	178,385
Other administrative expense	15,043
Financial Trustee expenses	29,636
Professional development (FT)	2,495
Community Fund Trustee expenses	10,207
Loan interest and related charges	301,968
Meetings and Advertising	33,926
Strategic Planning	15,286
Foreign taxes	55,916



Expenditures Beneficial to the Beneficiary

The following amounts were disbursed to the community for approved projects and programs as follows:

Peguis Senior Centre	Elders X-mas Dinner 2012	7,500
Peguis Arena Committee	Arena Project	8,246,534
Bipole III Mitigation	Legal	189,000
Chief Peguis Investment Corp.	Operating Budget	246,000
Peguis Recreation & Leisure	Peguis Winter Carnival	15,000
Peguis Housing Committee	Housing Project	3,500,000
Peguis Central School	Fashion Show	7,500
Peguis Garden Project	Garden Project	7,500
Recreation and Leisure	Multiplex Staff Development	30,000
Modern Clan	Private Business	30,000
Peguis Treaty Committee	Treaty Days	200,000
Pow Wow Committee	Pow Wow	10,525
Peguis Anglican Church	Renovations	22,500
CPIC investment	Business Investment	40,000
Agricultural Committee	Farmers Co-op	150,000
Peguis Training & Employment	Youth Employment	25,000
William Walker	Fishing Business	7,000
Sun Lodge	Traditional Activities	99,600
D Bear Enterprises	Private Business	30,000
Bird Fisheries	Private Business	7,000
Peguis Family Foods	Equipment	30,000
Peguis Senior Centre	Van	87,797
Peguis Senior Centre	Elders X-mas Dinner 2013	10,000
Community Garden Project	Garden Project	30,000
Peguis Health Centre	Traditional Healing Program	157,000
Peguis Cupboard Foodbank	Cupboard Foodbank	100,000
Junior B Hockey	2013 Expenses	40,000
Minor Hockey	2013 Expenses	40,000
Peguis Radio	Operating Budget	30,000
Louise McCorrister	Traditional Activities	1,000
TOTAL		\$13,396,456





***Peguis First Nation
Surrender Claim Trust
Annual Community Investment Review Summary
(for period ending December 31, 2013)***

Market Commentary – “A Year in Review”

Whether you are a casual observer of stock markets or have a professional interest, you have to admit that 2013 was an exceptional year for equity investors. Amidst a backdrop of weak global economic performance, equities showed extraordinary growth which clearly demonstrated that the stock market and the economy does not necessarily move in tandem with one another. Ironically, the safety of most portfolios is often found through investment in bonds yet for only the third time in over thirty years the bond market was negative, down 1.2% over the year ending December 2013. This was of significance to the Peguis First Nation Surrender Claim Trust given the 72% target allocation to bonds and cash equivalents. Notwithstanding, the markets disappointing bond returns were more than offset by very solid double digit equity performance, particularly in non-Canadian equities

Although stock markets have advanced considerably faster than global economies the past few years, historically they have tended to be good predictors of where the economy is headed. If market indicators are correct, we can expect to see stronger economic growth emerging from developed markets outside of Canada which should bode well for both Canada and the emerging markets that supply raw materials. The Canadian dollar, which closed the year at 94.02 cents U.S., down 6.5% from a year ago, is also indicative of a strengthening American economy.

The Peguis Surrender Claim Trust

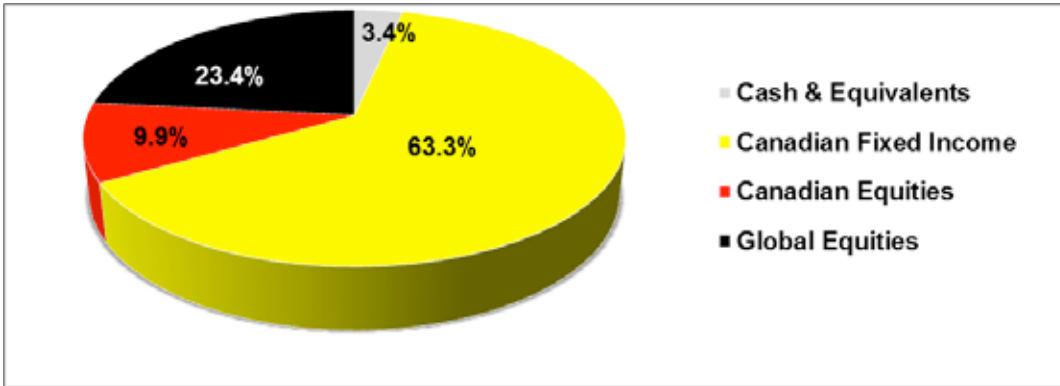
T.E Wealth is pleased to report that the combined holdings of the Peguis Surrender Claim Trust provided a solid 9.20% return for the year (up \$9,714,431) ending December 31, 2013 and continues to provide a 8.15% return (up \$14,811,540) since the inception of the Trust (per performance charts below).

On a relative basis, the Trust performance has outpaced the market return on the year and since inception by 3.00% and 2.55%, respectively. Of equal importance, the Peguis Surrender Claim Trust is outperforming the Trust’s return objective of 5.5% by 2.65% since inception. This is particularly pleasing given the significant allocation to bonds during a year when the bond market was down 1.2% as mentioned.

When comparing the manager’s asset class performance to their peers, the Trust’s Canadian equities ranked in the 1st quartile or top 25% of managers when compared to the Mercer’s peer group universe. The Trust’s Fixed Income (bonds) and U.S equity rank in the 2nd quartile or top 50% and while the Trust’s International equities have been a challenging asset class (ranked as a 4th quartile performer), they continued to provide a return of 22.87% over the year.

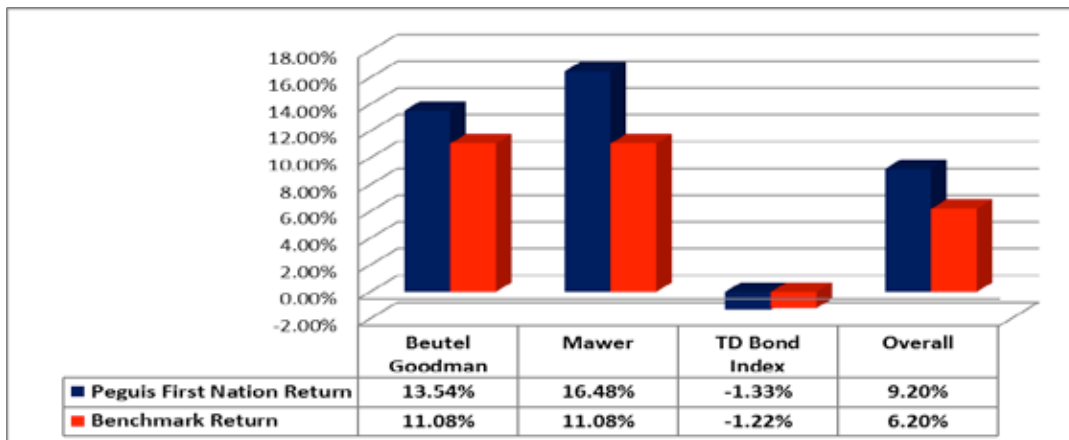


Combined Holdings: Peguis First Nation Surrender Claim Trust



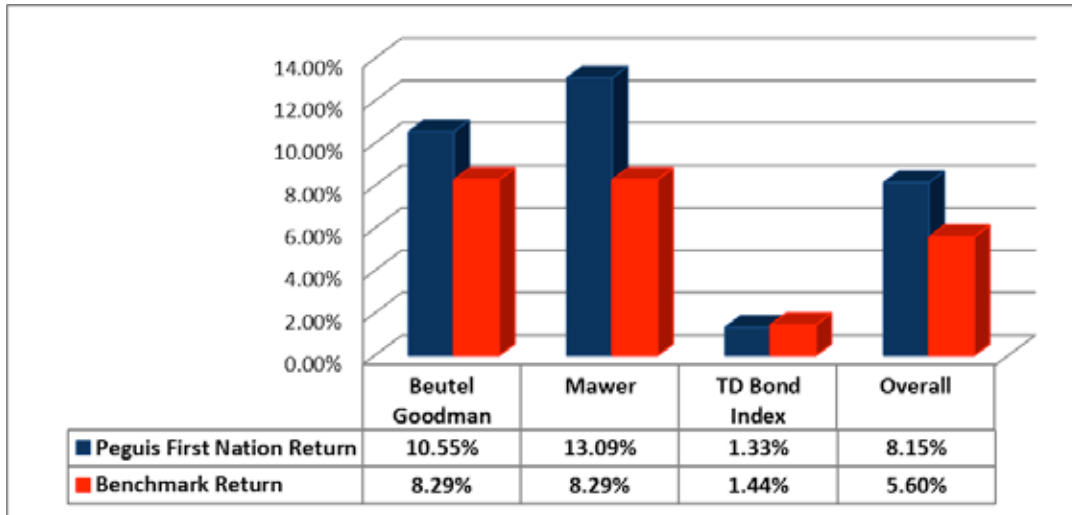
	Cash & Equivalents	Canadian Fixed Income	Canadian Equities	Global Equities
Current (%)	3.4%	63.3%	9.9%	23.4%
Target (%)	5.0%	67.0%	10.0%	18.0%
Ranges	0%-10%	63%-73%	5%-15%	13%-23%

Annual Rates of Return Summary as at Dec. 31, 2013





Inception Rates of Return Summary as at Dec. 31, 2013



Portfolio Valuation Summary for 12 Months ending Dec. 31, 2013

	Beutel Goodman	Mawer	TD Bond Index	Overall
Starting Value	\$36,093,638	\$36,987,100	\$40,375,728	\$113,456,466
Net Transfers	-\$686,524	-\$686,524	-\$686,524	-\$2,059,572
Appreciation	\$4,574,848	\$5,786,889	-\$647,307	\$9,714,431
Ending Value	\$39,981,962	\$42,087,465	\$39,041,897	\$121,111,325

Portfolio Valuation Summary since Inception (Q2/12) as at Dec. 31, 2013

	Beutel Goodman	Mawer	TD Bond Index	Overall
Starting Value	\$34,688,154	\$34,867,267	\$39,815,511	\$109,370,932
Net Transfers	-\$853,524	-\$686,534	-\$1,531,099	-\$3,071,147
Appreciation	\$6,147,332	\$7,906,722	\$757,485	\$14,811,540
Ending Value	\$39,981,962	\$42,087,465	\$39,041,897	\$121,111,325

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



Peguis First Nation Surrender Claim Trust | Trustees' Annual Report | 2013





In Closing

T.E. Wealth considers it a privilege and an honor to support the Trustees of the Peguis First Nation Surrender Claim 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 Surrender Claim Trust.

For further information or clarification, please contact:

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



Trust Property Approval Limits

Approval limits regarding applications for Trust funds increase each year by the rate of inflation. The Community Fund Trustees can approve amounts up to \$80,702, the Community Funds Trustees and Chief and Council can approve amounts up to \$269,006. Amounts greater than \$269,006 must be approved by the Community Fund Trustees, Chief and Council and the Members of Peguis First Nation.

Per capita Distributions

An amount of \$10,500,000 was approved by the Initial Trustees in 2010 to fund per capita payments to eligible Peguis Band members. For 2013, 39 applications were processed for a total pay-out of \$40,500.00

Investment Activities of the Trust

The Trust funds are managed by TD Waterhouse Private Investment Counsel, Beutel Goodman Investment Council and Mawer Investment Management Ltd in accordance with the objectives of Peguis First Nation and as set out in the Trust Agreement and Investment Policy Statement. Generally, the objectives are to provide safety of principle, stable and consistent income flow and capital appreciation. The investments consist of Government and high quality corporate bonds and equities. No more than 30% of the Trust funds can be invested in equities.

Other Trustee Activities

The current Community Fund Trustees and Financial Trustees were elected in May of 2011. The Trustees met on numerous occasions throughout the period in order to perform their duties, which includes considering and approving proposals, reviewing investments, arranging for the preparation of audited financial statements, and to continue to develop policies and procedures to govern the activities of the Trust.

In order to preserve the Trust Property, the Financial Trustees secured a \$15,000,000 line of credit with the TD Commercial Bank. The line of credit was utilized to fund the arena and housing projects as well as other projects. As of December 31, 2013, the balance of the line of credit was \$14,021,758.00.

Trustee Meetings 2013

- 9 Combined Financial/Community Fund meetings
- 8 Strategic Planning Sessions
- 2 Membership General Meeting
- 1 Annual General Membership Meeting
- 1 Petition Meeting
- 11 Community Fund Trustee Meetings
- 3 Financial Trustee Meetings

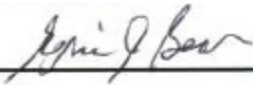
Value of the Trust

The value of the Trust investments as at December 31, 2013 was \$120,999,316.

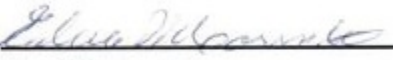
The net value of the Trust as at December 31st was \$106,842,710.



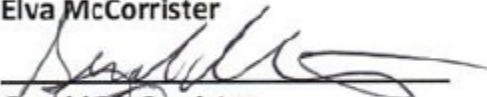
WE CERTIFY THAT, to the best of our information, knowledge and belief that the information contained on the preceding pages is true and that all expenditures and investments of the Trust Property were properly documented and authorized in compliance with the Trust Agreement.



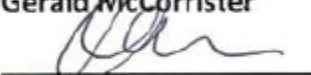
Eric J. Bear



Elva McCorrister




Gerald McCorrister



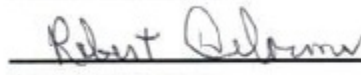
Errol Wilson



Bill Willms, Corporate Trustee



Katina Cochrane



Robert Delorme



Lloyd Sinclair



Harold J. Sutherland

