



Peguis FIRST NATION Surrender Claim Trust

2014 Annual Activity Report

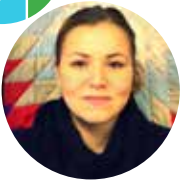


Our Mission...

"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."



Community Fund Trustees



Katina Cochrane - Chair



Robert Delorme



Lloyd Sinclair



Hal Sutherland



Financial Trustees



Errol Wilson - Chair



Elva McCorrister



Rob Magnusson
Appointed in
September 2014



William (Bill) Wilms
Corporate Trustee



Staff



Crystal Laborero
Trust Manager
Hired October 2014



Debbie McElhinney
Trust Administrator



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 Trustees 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.

Our Vision

Internally, be leaders among our peers in the successful operation of a trust. We commit to collaborate with community organizations and provide effective communications to beneficiaries.

Externally we will:

- Support enterprises that promote a sustainable economy
- Participate in initiatives that contribute to the financial independence
- Contribute to quality education of our people
- Assist in enhancing the social well-being of our community
- Support the protection, preservation and promotion of our Cultural Heritage and Treaty Rights.

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 \$ 82,315, the Community Fund Trustees and Chief and Council can approve amounts up to \$ 274,385. A mounts greater than \$ 274,385 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 2014, 24 applications were processed for a total pay-out of \$24,500.00

Please Note:

There has been several inquiries regarding another Per Capita payment for Peguis Beneficiaries. The Surrender Claim Trustees have acquired legal advice to see if another Per Capita payment is possible under the Trust Agreement. We have been advised that only one Per Capita payment is possible, therefore no additional distributions can be allowed.

Trustee Meetings 2014



- 10 Joint Meetings – Combined Financial and Community Fund Trustees
- 16 Community Fund Trustee Meetings
- 7 Financial Trustee Meetings
- 3 Annual General Assemblies (Peguis First Nation, Selkirk, and Winnipeg)
- 1 General Meeting of Members

Trust Activities



2014 has been a busy and robust year for the Trust with changes that require noting. On July 28th a General Meeting of Members took place to disclose the Trustee Breach to the community. Membership passed a resolution to remove Trustees in question from the Surrender Claim Trust, resulting in additional vacancies on the Trust. Errol Wilson assumed the role as Chairperson, Financial Trustees and Rob Magnusson, CA was appointed to Trust as a Financial Trustee in September. Katina Cochrane resigned as a Community Fund Trustee subsequent to year end.

Crystal Laborero was hired as the Trust Manager on a term contract as the Trustees intend to work towards having a Band Member hold that position in the future. Crystal is mandated to develop and implement operational and administration standards for the Trust.





Expenditures Approved for Beneficiaries

This year there was an increase in applications to the Community Fund. The following is a list of proponents, project names and amounts that were disbursed in 2014.

2014 Approved Paid

Proponent	Project Name	Amount
Trevor Greyeyes	Marketing Business	\$ 5,000.00
Justin Bird	Fishing Business	\$ 10,500.00
Della Spence	Catering Business	\$ 30,000.00
Peguis Anglican Church	Anglican Church Renovations	\$ 7,500.00
Peguis School Board	Youth Achievement Awards	\$ 2,000.00
Peguis Recreation & Leisure	Peguis Winter Carnival 2014	\$ 26,058.00
Family Foods	Equipment & Cooler	\$ 7,500.00
Gary McCorrister	Cultural Events	\$ 1,000.00
Peguis Home Hardware	Renovation Upgrades	\$ 20,000.00
Peguis Development Corp	Mall Sidewalk Repairs	\$ 30,000.00
Peguis Midway	Improvement Project	\$ 20,000.00
Peguis Powwow Committee	Annual Powwow 2014	\$ 10,000.00
Peguis Recreation	July Arena Feast	\$ 5,000.00
Peguis Recreation	Elders Seating	\$ 155,000.00
Peguis Development Corp	Tembec - Timber Quota	\$ 232,218.00
Peguis Treaty Committee	Adam Beach Mobile Theatre	\$ 2,500.00
Peguis Treaty Committee	Treaty Days 2014	\$ 200,000.00
Peguis Recreation	NAIG – Peguis Youth Sports	\$ 10,172.00
Peguis Health Centre	Footcare Program	\$ 41,428.47
Peguis Recreation	Final Arena Payment	\$ 253,918.29
Thomas Wilson Sr	Equipment & Tools	\$ 5,000.00
Peguis Senior Centre	Personal Care Home Dev	\$ 150,000.00
Peguis First Nation Land's Department	Improvement/Dev Project	\$ 149,000.00
Peguis Junior B Hockey Club	Championship 2013	\$ 5,000.00
Wayne Manningway	Cultural Events	\$ 1,500.00
Maynard Cameron	Freeman's Concert	\$ 3,000.00
Peguis Gaming Commission	Seminar & Round Dance	\$ 4,000.00
Peguis Recreation	Grand Opening Arena Feast	\$ 10,000.00
PFN Training & Employment	2014 Summer Youth Work	\$ 25,000.00
PFN Community Service Program	Off Reserve Basic Needs	\$ 120,000.00
PFN Community Service Program	Funeral Expenses	\$ 66,000.00
Lorne Spence	Private Business	\$ 23,600.00
Status Solution/Country Rock Radio	Communication Equip	\$ 31,320.00
Peguis Multiplex	NHL All Stars vs Peguis	\$ 10,000.00
Peguis Central School	Smartboards Purchase	\$ 128,114.46
Peguis Junior B Hockey Club	Operating Expenses	\$ 20,000.00
Peguis School Board	Community & Cultural Program	\$ 88,000.00
Peguis Health Services	Traditional Healing	\$ 93,000.00
Peguis Minor Hockey	Community Youth Program	\$ 80,000.00
Peguis Recreation Hockey League	Club Expenses	\$ 6,000.00
	TOTAL	\$ 2,088,444



Investment Income Received for the Period

The investment income and capital gains generated from Trust investments for the period was \$6,900,363.

Expenditures Incurred for the Period

Expenditures incurred for the period totalled \$1,250,636 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	\$283,970
Investment Consultant fees	92,556
Accounting/Legal/other professional	78,922
Corporate Trustee fees	175,085
Trust administration expenses	42,213
Trustee expenses	41,226
Loan interest and related charges	438,557
Meetings and Advertising	48,549
Foreign taxes	49,558

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

Two unauthorized disbursements totalling \$177,250 were paid from the Trust's line of credit. As of December 31, 2014, \$170,950 had been repaid. An additional amount of \$6,900.00 was received after the year end for a total of \$177,850, which includes an interest reimbursement of \$600.00.

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, 2014, the balance of the line of credit was \$13,220,533.

Value of the Trust

The value of the Trust investments as at December 31, 2014 was \$128,901,822.

The net value of the Trust as at December 31st (excluding the line of credit) was \$115,519,109.



**Peguis First Nation
Surrender Claim Trust
Annual Investment Review Summary
(for period ending December 31, 2014)**

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 Surrender Trust returns given that roughly 67% 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. At the end of the year, the yield of the FTSE TMX Canadian Universe Bond index was 2.23%. While this level is indicative of the type of long-term returns we might expect from bonds, their performance in 2015 will largely depend on the short-term bond yields and the strategic positioning of bond portfolios.

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.



The Peguis Surrender Claim Trust

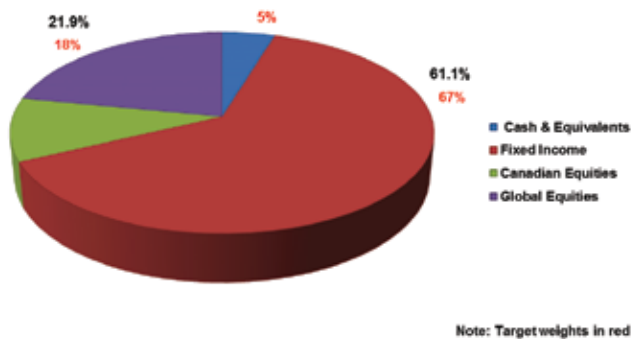
T.E. Wealth is pleased to report that the combined holdings of the Peguis Surrender Claim Trust provided a solid 10.03% return for the year ending December 31, 2014 (or a gain of \$11,496,579) and continues to provide a 8.80% return (up \$26,323,024) since the inception of the Trust (per the performance charts below).

On a relative basis, the Trust performance has outpaced the market return on the year and since inception by 0.43% and 1.76%, respectively. Of equal importance, the Peguis Surrender Claim Trust is outperforming the Trust's return objective of 5.5% by 3.30% since inception. 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.

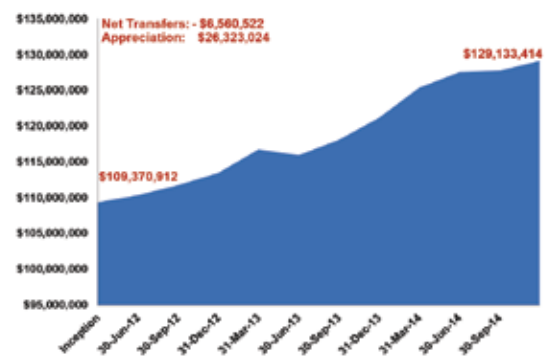
Mawer Investment Management has provided the largest contribution with a 12.65% return which has overshadowed Beutel Goodman's 10.28% performance despite both managers outperforming the market by 3.60% and 1.23% respectively. The fact that each manager excelled in different aspects of the portfolio reminds us of the benefits of a multi-manager / multi-style investment structure as has been implemented.

We are pleased to note that since inception, the Trust's Canadian and U.S equities rank in the top 25% of investment managers when compared against their peers within in the Mercers Universe.

Asset Mix Breakdown at December 31, 2015: Actual versus Target



Portfolio Valuation Since Inception (Q2/12) @ December 31, 2014

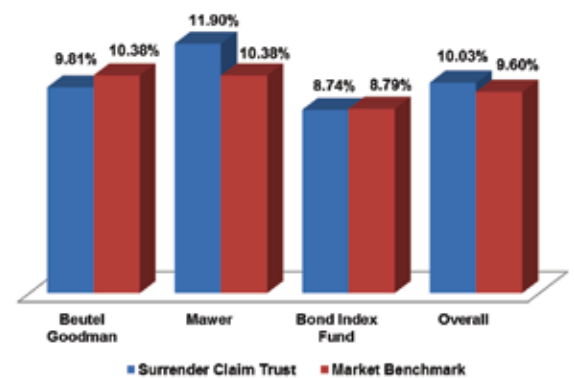


In Closing

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.

Annual Rate of Return Summary as at December 31, 2014



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

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.



Errol Wilson
Chair
Financial Trustee



Peguis First Nation
Surrender Claim Trust
2014 Annual Report