

KISONIYAMINAW HERITAGE TRUST FUND



ANNUAL REPORT TO CHIEF AND COUNCIL

August 25, 2017

THE START OF A TRUST

1970's – Samson Cree Nation attempts to obtain Samson Capital monies from Canadian Government – *attempt fails*

1980 – Resolutions of Chief and Council submitted to Ottawa directing Government to transfer the monies to Samson Cree – *attempt fails*

1984 – The concept of a Heritage Trust discussed and submitted to Ottawa – *attempt fails*

... THE START OF A TRUST CONT'D ...

1989 – Samson decides to take legal action

Nov 1991 – Samson files in Federal Court to appoint a Receiver for the Capital monies

May 1992 – The Application is dismissed

May 2002 – A Trial begins

AT LAST, POSITIVE RESULTS

Dec 2004 – Samson lawyers request that the Capital monies be transferred to an independent Trust controlled by Samson

Jan 27 2005 – The Court sets out the *conditions* for such a transfer

CONDITIONS

- External Trustees
- Trust Deed satisfactory to the court
- Trust Deed to set out financial plan and rules for investment
- Rules for engaging agents
- Provision for monitoring performance and the investment policy
- Independent Trust Fund

... CONDITIONS CONT'D ...

- Provision for auditing the Trust Fund
- Results reported to Samson Cree
- Future capital (royalties) be transferred to the Trust Fund
- Samson Cree hold a referendum to seek approval of the Trust Fund

KISONIYAMINAW HERITAGE TRUST FUND

- Nov 2005 - Referendum held with all Samson members aged 18 and over eligible to vote
- Significant majority voted in favour
- KHTF 'born'
- Board of Trustees appointed

FIRST BOARD OF TRUSTEES

Alan Marchment	Chairperson
John Butler	Vice-Chairperson
Allan Markin	
Michael Mills	
J. Wilton Littlechild	

The Trust Deed was signed by all Trustees and Chief Victor Buffalo on behalf of Samson

THE TRUSTEES SET TO WORK

- Engagement of RBC Dexia as custodian of the assets
- Statement of Investment Policy and Procedures (SIP&P) developed and adopted
- 4 investment managers hired, all with different investment styles

THE MONEY ARRIVES!

Feb 1 2006 - \$348.7 million deposited in the Custodial Account

Dec 31 2016 - amount has grown to \$455.9 million

Amount paid to Samson = \$201.8 million

WHAT IS A HERITAGE TRUST FUND?

- A Trust Fund is a sum of money held on behalf of a beneficiary
- It specifies that the Trustees must pay an amount each year to the Beneficiary
- The importance of the word “Heritage” is that the Trust Fund is meant to be preserved for future generations of Samson not yet born: this presents a constant challenge for the Trustees given the large sums paid to Samson each year

DUTIES OF THE TRUSTEES

The Trustees are charged with the responsibility of operating the Trust Fund and exercising prudence in managing the assets:

- First step – develop a Statement of Investment Policy and Procedures (***SIP&P***)

WHAT IS THE SIP&P?

- A document which sets out how the Trustees believe it is best to invest the assets for the long term
- A dynamic document which the Trustees review annually
- Original SIP&P modified several times over the years to reflect the changing investment environment and evolving thinking of the Trustees

... SIP&P CONT'D ...

Sets out the proportion of the Trust Fund to be invested in different asset classes

Currently the Trust Fund invests in:

- Common shares from around the world
- Canadian bonds and preferred shares
- Canadian real estate
- A small and declining allocation to hedge funds

... SIP&P CONT'D ...

Sets out the performance criteria expected for the Trust Fund as a whole, and for each asset class and each ***Investment Manager***

- Trustees review Investment Managers' performance quarterly and use an independent consulting firm to assist with this

INVESTMENT MANAGERS

- Currently there are 5 Investment Managers
- 2 have managed money for the Trust Fund since inception
- Trustees have engaged Investment Managers for particular expertise
- Trustees have dismissed Investment Managers for unsatisfactory performance

TRUSTEES' OTHER DUTIES

Trustees engage and monitor services of various experts to assist with day-to-day operation of the fund, including:

- Accountant for bookkeeping
- Independent auditor
- Legal counsel (lawyer)
- Administrator for the day-to-day operation

Due to the expertise of the Trustees and of the specialists the Trust Fund fees have been kept lower than other trusts of this size

SAFETY MEASURES ADOPTED BY THE TRUSTEES

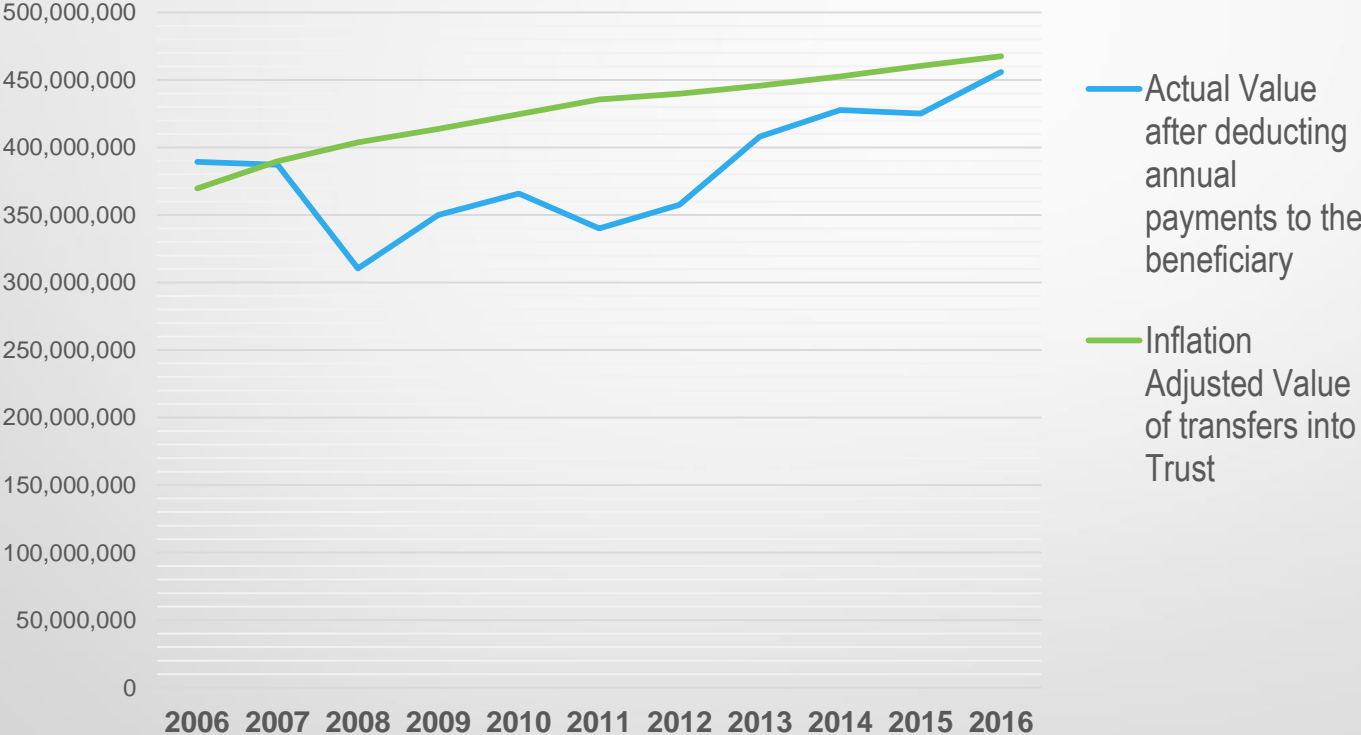
- Procedure that requires all transactions be signed off by at least 2 Trustees before any payment is made
- Independent audit
- Legal review of all contracts
- Quarterly review of performance
- Hiring consultants as needed for special studies

‘HERITAGE’

- Trustees annually direct how much to pay to Samson in accordance with the Trust Deed
- The word *‘Heritage’* requires a long-term view to maintain the purchasing power of the Trust Fund
- Trustees measure growth of the Trust Fund against a nominal fund based on rates of inflation

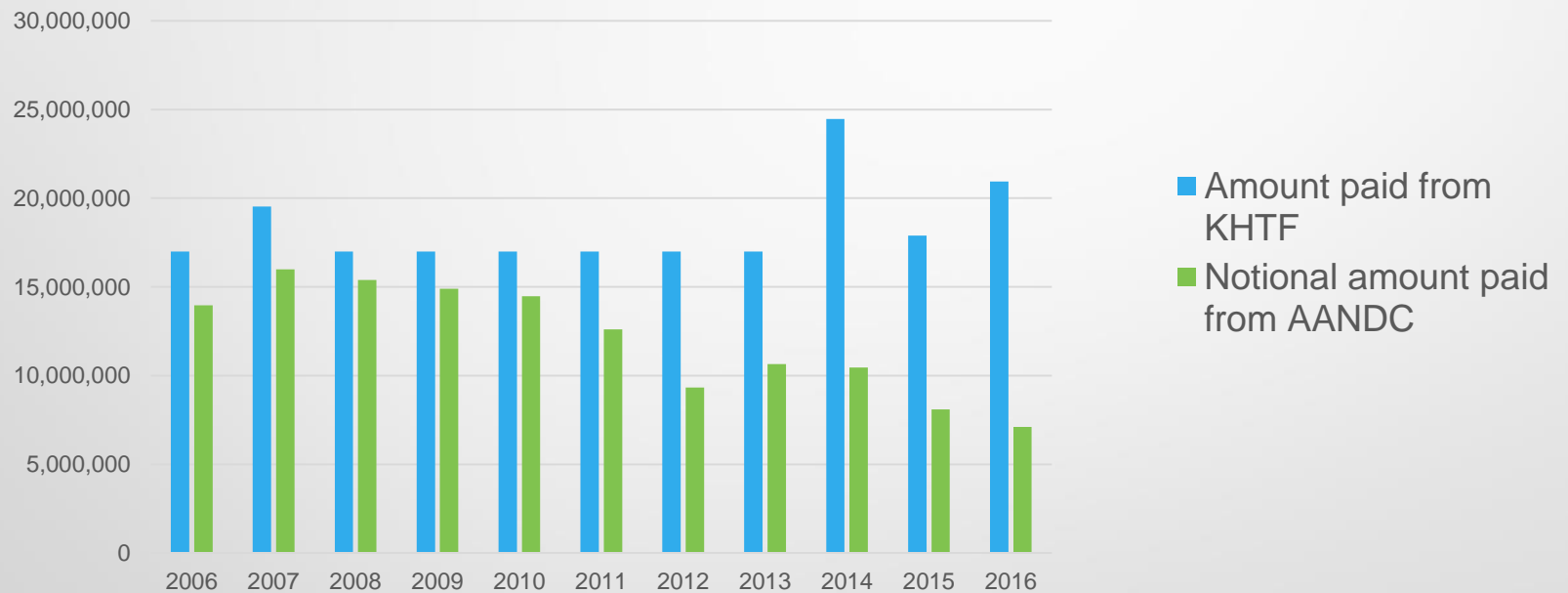
HOW ARE WE DOING?

Purchasing Power Parity



COMPARED TO AANDC

Comparison of amounts: KHTF -v- (notional) AANDC



TRUSTEES TODAY

Since inception Chairperson and Vice-Chairperson resigned and were replaced

Current Board:

Michael D Mills

Chair

Heather Gore-Hickman

Vice Chair and Audit Committee

Mark Campbell

Investment Committee

Allan Markin

J Wilton Littlechild



REPORT ON THE YEAR 2016

Trustees met quarterly and made the decision to hire Mercer (Consultants) to conduct a thorough review and analysis of the SIP&P

Mercer's report suggested that it is possible to improve long-term expected rate of return on the Trust Fund, by making some changes that include:

- Revisions of the allocation to different asset classes within the SIP&P
- Addition of several new asset classes

... REPORT ON 2016 CONT'D ...

Expected that these changes will be made in 2017

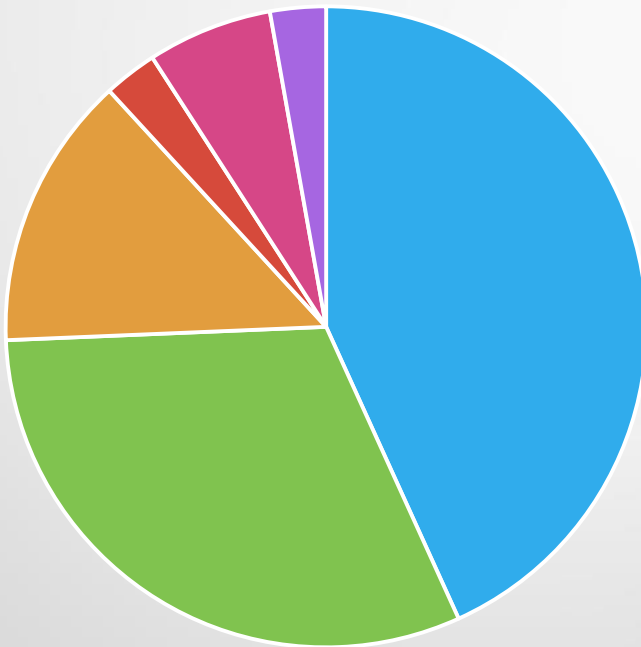
Important Point: expected rate of return will increase by a full 1% over the long-term but costs will only increase by 0.1%

... REPORT ON 2016 CONT'D ...

At the end of 2015, Hedge Fund Manager announced it was discontinuing the fund in which we were invested

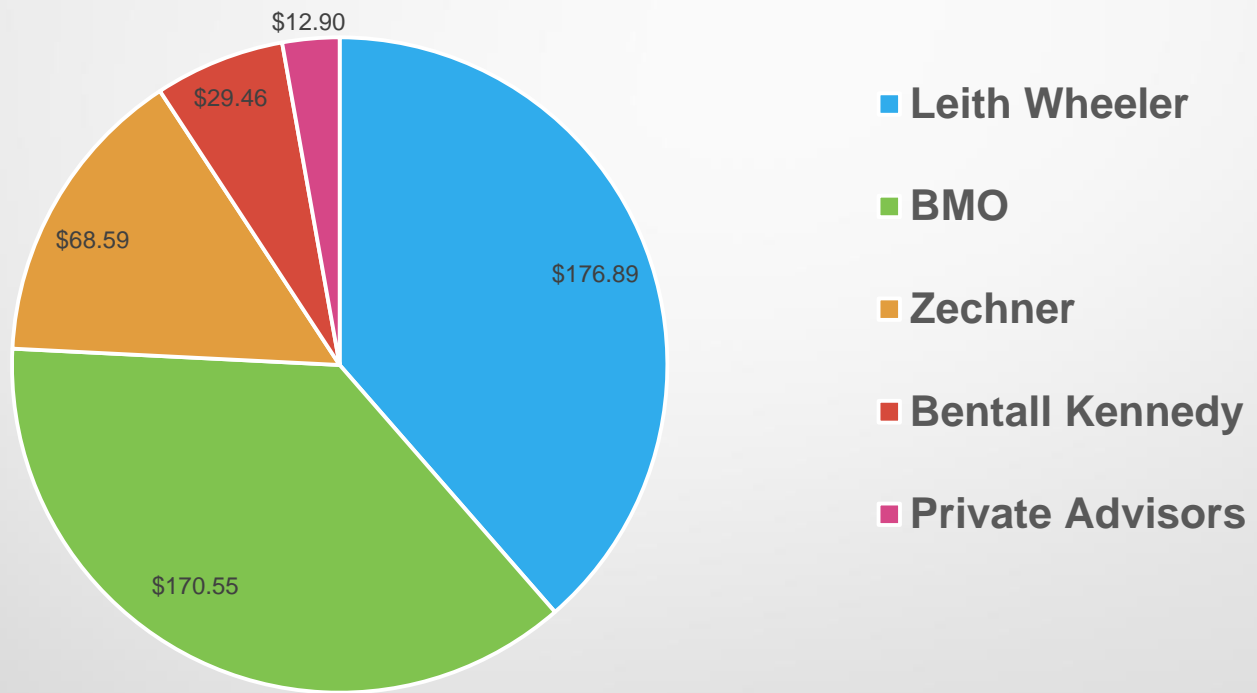
During the year it has gradually been returning our investment - this money has been re-deployed in our global assets

ASSETS BY CLASS AT DECEMBER 31 2016



- Canadian Stocks
- Global Stocks
- Canadian Bonds
- Short-term and Cash
- Real Estate
- Hedge Funds

ALLOCATION OF ASSETS - \$M



... REPORT ON 2016 CONT'D ...

MONITORING INVESTMENT MANAGERS

- Review quarterly reports from Investment Managers
- Meet with each Investment Manager twice per year
- Compare performance using RBC Investment Analytics Report
- Dismiss and replace Investment Managers when warranted by performance or Investment Manager no longer meets requirements of the Trust

... REPORT ON 2016 CONT'D ...

PRESERVING CAPITAL

- A very difficult task in an environment of great uncertainty in Markets
- The payments to the Nation are high: since inception a total of \$202 million has been paid, while
- AANDC would have paid \$125 million

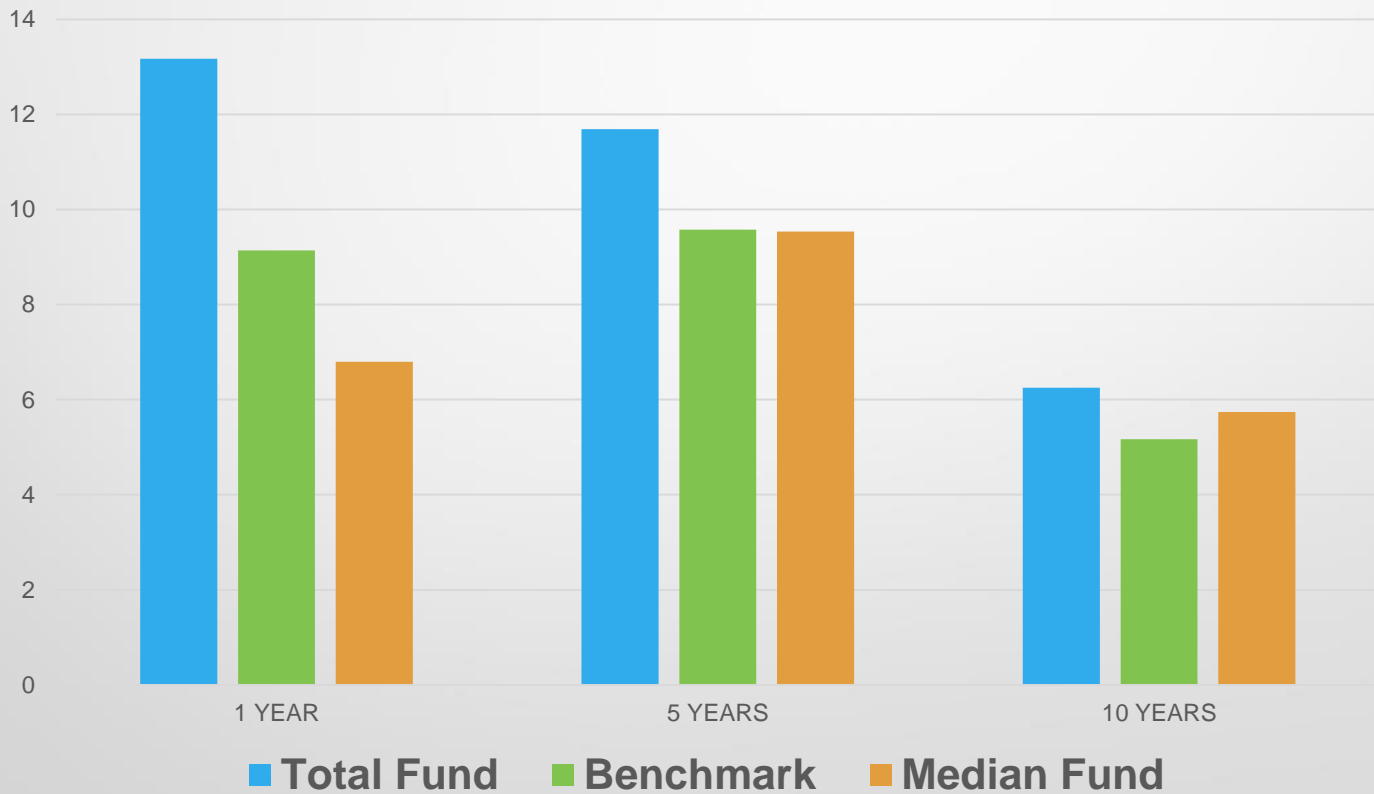
... REPORT ON 2016 CONT'D ...

Preserving capital as of December 2016

Capital adjusted by CPI	\$466 million
Actual capital	\$456 million
AANDC notional value	\$321 million

... REPORT ON 2016 CONT'D ...

Performance to December 2016



AUDIT REPORT FOR 2016

The independent auditor Collins Barrow again gave the Trust Fund an unqualified audit report with no identifiable problems

AUDIT HIGHLIGHTS - \$MILLIONS

Year	<u>2016</u>	<u>2015</u>
Assets	459.3	426.0
Revenue	53.7	17.4
Expenses	2.2	2.5
Distribution	20.9	17.9

TRUSTEES' PLANS FOR 2017

- Continue to meet at least quarterly
- Implement new SIP&P
- Continue performance monitoring
- Maintain close expense control
- Receive another clean audit



KHTF REPORT 2016

Thank you!

Any questions?