NIPISSING 2013 BOUNDARY CLAIM TRUST

STATEMENT OF FINANCIAL POSITION
as at November 30th, 2021

ASSETS			
	Fair market value of investments managed by:		
	Barrantagh Investment Management	$	45,906,338
	Mawer Investment Management		54,586,569
	Nipissing Solar SPN Promissory Note		697,200
	Community Development Loan 1		4,200,049
	Community Development Loan 2		4,081,795
		$	109,471,951
LIABILITIES			
	Accounts payable		10,319
	Peace Hills Trust (PCD/Minors Account)		272,390
NET ASSETS		$	109,189,242

Happy New Year

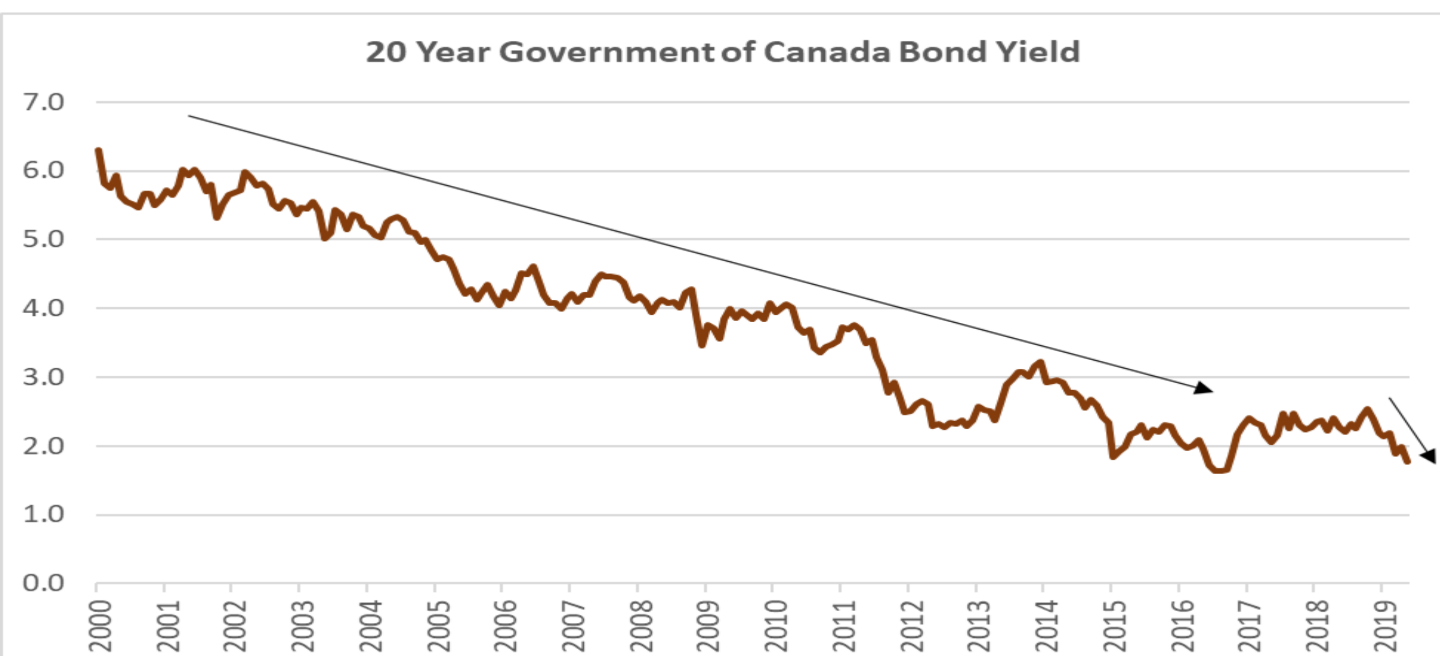
Alternative Income

Why?

Most First Nation trusts use a balanced approach when investing their trust money, meaning their investments are a combination of traditional assets such as stocks and bonds (also called fixed income). Historically, most Canadian pension plans have used the same approach, with 60% of the portfolio invested in stocks, 5% in cash and 35% invested in bonds. Many First Nations have used this asset allocation as a starting point in their Investment Policy Statement ("IPS") for their trusts and are still using this mix.

The IPS should be reviewed on a regular basis and changes must be made to it when there is a fundamental shift in the economic situation or risk tolerance of the First Nation. Temporary events in the markets should not affect the IPS because trusts have a very long-time frame and have the ability to ride out temporary fluctuations that occur in the markets. Council and the Trustees must always be focused on the long term returns of the trust.

In order to stimulate the economy during the current pandemic situation, Canada, along with the rest of the world, continues to keep interest rates at historic lows. This is a continuation of the trend in interest rates for the last 20 years, as can be seen by the chart below. We are now in a position where long term Canada bonds are paying less than 2%.



It is now the consensus that interest rates are going to remain at historically low levels for the next 5 to 10 years. With Government of Canada bonds paying less than 2%, it makes it very difficult for trusts to earn an attractive return on the bonds they own, especially after inflation is considered. To make matters worse, as interest rates do start to move up, bonds held in the Trust will start to show capital losses (recall that interest rates and bond values move in opposite directions). The result will be that for the next 5 to 10 years, bonds will have difficulty keeping up with inflation, let alone adding value as far as portfolio performance goes.

That said, bonds continue to have an important part to play in a trust. They do reduce volatility in the portfolio, so that if the stock markets drop significantly, bonds will retain their value (or may even increase in value). Bonds can then be sold at good prices and stocks purchased at cheap prices. When the markets rebound the trust can pick up significant gains as stocks regain their value. This is exactly what occurred in March of 2020. As a result, it is never a good idea to discard bonds completely.

In the past several months, we have done due diligence on several alternative investments. They offer the Trust 3 distinct advantages over bonds:

> **They provide a far better annual return than bonds are currently providing.** Some alternative investments are providing 3 or 4% in annual income, which is far better than can be obtained from bonds.
>
> **They provide a strong potential for capital gains going forward that would more than offset inflation**. The total return (income and capital appreciation) of some alternative investments is far greater that bonds will be providing for the next several years.
>
> **They provide a further level of diversification as they are not correlated to stocks and bonds.** This means that the performance of the alternative investments does not track the performance, good or bad, of stocks or bonds. This reduces the total portfolio risk of the Trust.