



Tahltan Heritage Trust

2018 Annual Report to Tahltan Membership

Agenda

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 - Beneficiaries
- Financial Update:
 - Financial Statement Highlights
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 - Investment Portfolio Profile
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 - Diversification Transition
- Distributions
- Other Business



About the Tahltan Heritage Trust

- Established January 2007
 - Original funds from the Novagold Participation Agreement.
 - Expanded to include other sources of funds, e.g. AltaGas, Red Chris Mine and the Brucejack Mine.
- The Trust invests funds to generate long-term stable revenues to support the Tahltan Nation.
- The Heritage Trust was originally created using a Personal Offshore Trust Agreement (for expediency).
 - This will be changed to a new more appropriate Agreement.
- Program and service delivery was originally planned to happen through a Tahltan Community Foundation.

About the Tahltan Heritage Trust

- **Beneficiaries:**
 - Iskut Band
 - Tahltan Band
 - Tahltan Central Government
- **Parameters:**
 - No per capita distributions
 - A Corporate Trustee
 - Preserve the spending power of the investment capital
 - Prudent long-term investment rules
 - Distributions for education, training, capacity development, housing, health, education and economic development

Trustees

- **Trustees:**

- Bill Adsit – Chair
- Garry Merkel – Vice Chair
- Rob McPhee – Secretary/Treasurer
- Looking to appoint qualified Trustees

- **Duties:**

- Hire an investment manager
- Develop and follow trust agreement & investment policies
- Approve annual income distributions
- Monitor financial performance & conduct annual audit
- Prepare Annual Report, including financial statements
- Annual reporting to Tahltan Membership
- Hold regular Trustee meetings

Heritage Trust/Volcano Creek Combined 2017 Financials

INCOME STATEMENT DECEMBER 31

INCOME	2017	2016
Investment	\$372,618	\$137,171
Coast Mountain	<u>\$ 0</u>	<u>\$1,807,713</u>
TOTAL INCOME	<u>\$372,618</u>	<u>\$1,944,884</u>
EXPENSES		
Advisor fees/bank charges	\$86,255	34,207
Professional services/travel	<u>\$21,465</u>	<u>\$43,152</u>
TOTAL EXPENSES	<u>\$107,720</u>	<u>\$77,359</u>
NET INCOME	<u>\$264,898</u>	<u>\$1,867,525</u>

Heritage Trust/Volcano Creek Combined 2017 Financials

BALANCE SHEET DECEMBER 31 ASSETS

CURRENT	2017	2016
Cash	\$876,339	\$3,373,764
Marketable securities	<u>\$9,108,902</u>	<u>\$3,471,324</u>
	<u>\$9,985,241</u>	<u>\$6,845,088</u>
OTHER		
Coast Mountain partnership units	<u>\$2,000,000</u>	<u>\$2,000,000</u>
TOTAL ASSETS	<u>\$11,985,241</u>	<u>\$8,845,088</u>

Heritage Trust/Volcano Creek Combined 2017 Financials

BALANCE SHEET DECEMBER 31 LIABILITIES & EQUITIES

CURRENT	2017	2016
Accounts payable & accruals	<u>\$2,350</u>	<u>\$2,350</u>
EQUITY		
Opening balance	\$8,842,738	\$6,183,242
Capital contribution	\$2,875,255	791,971
Net Income	<u>\$264,898</u>	<u>\$1,867,525</u>
Closing balance	<u>\$11,982,891</u>	<u>\$8,842,738</u>
TOTAL EQUITY & LIABILITIES	<u>\$11,985,241</u>	<u>\$8,845,088</u>

Heritage Trust/Volcano Creek Combined 2017 Financials

DUE TO TRUST BENEFICIARIES DECEMBER 31

	Opening Balance	Current Capital Contribution	Current Year Income	Closing Balance
Iskut	\$2,280,904	\$958,419	\$88,299	\$3,327,622
Tahltan	\$2,280,904	\$958,419	\$88,299	\$3,327,622
TCG	<u>\$2,280,930</u>	<u>\$958,417</u>	<u>\$88,300</u>	<u>\$3,327,647</u>
Totals	<u>\$6,842,738</u>	<u>\$2,875,255</u>	<u>\$264,898</u>	<u>\$9,982,891</u>

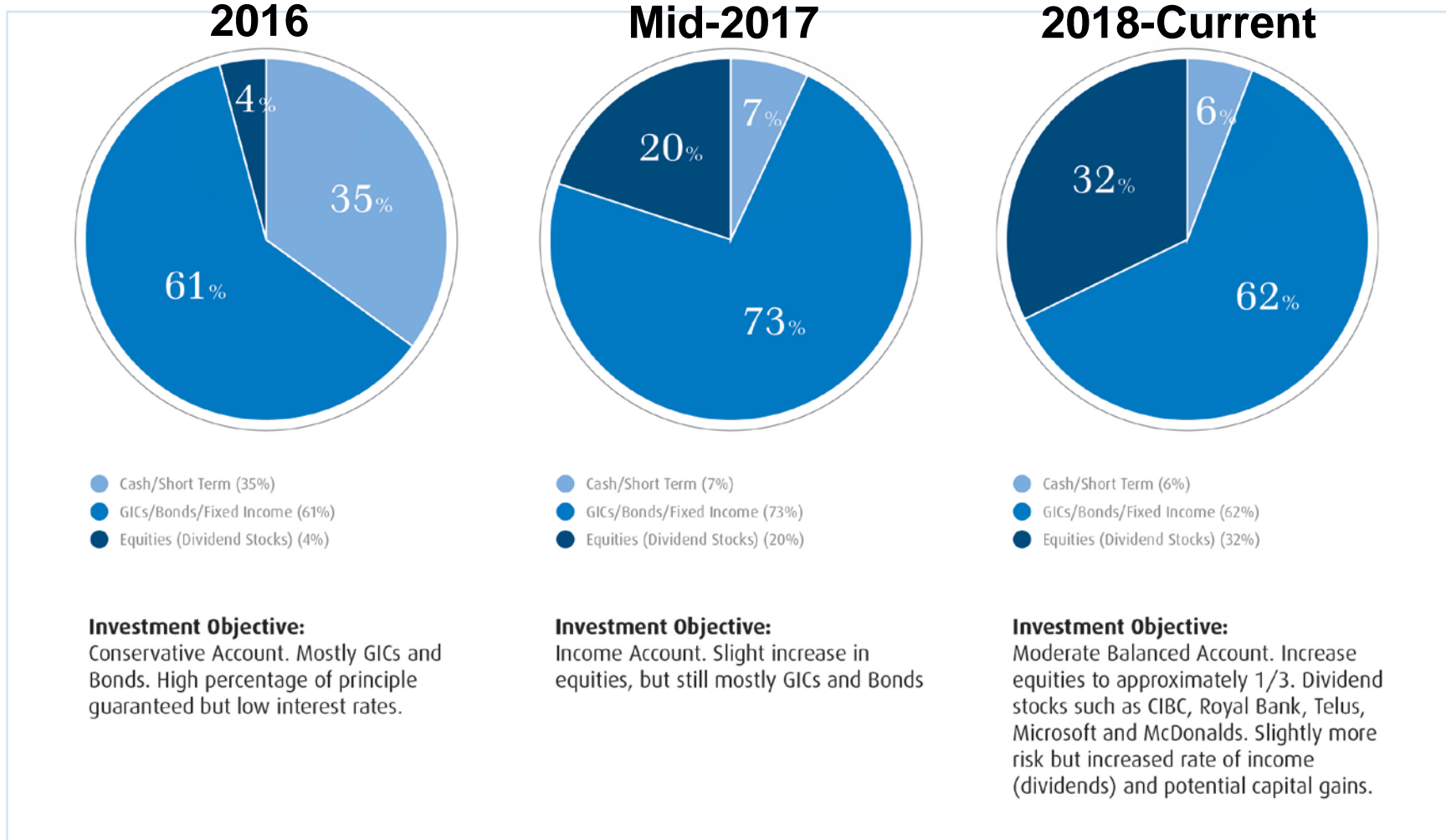
Financial Statement Highlights

- 2017 Capital Contribution of \$2,875,255
 - AltaGas - \$2,228,266
 - Red Chris - \$350,000
 - Teck Resources - \$296,989
- 2017 fund balance (before distributions) \$9,982,891
- 2017 Interest Income \$372,618
- Advisor Fee and Bank Charges \$86,255
 - (Management fee of 1% on \$6,845,088)
- Professional services & travel \$21,465

Investment Portfolio Profile

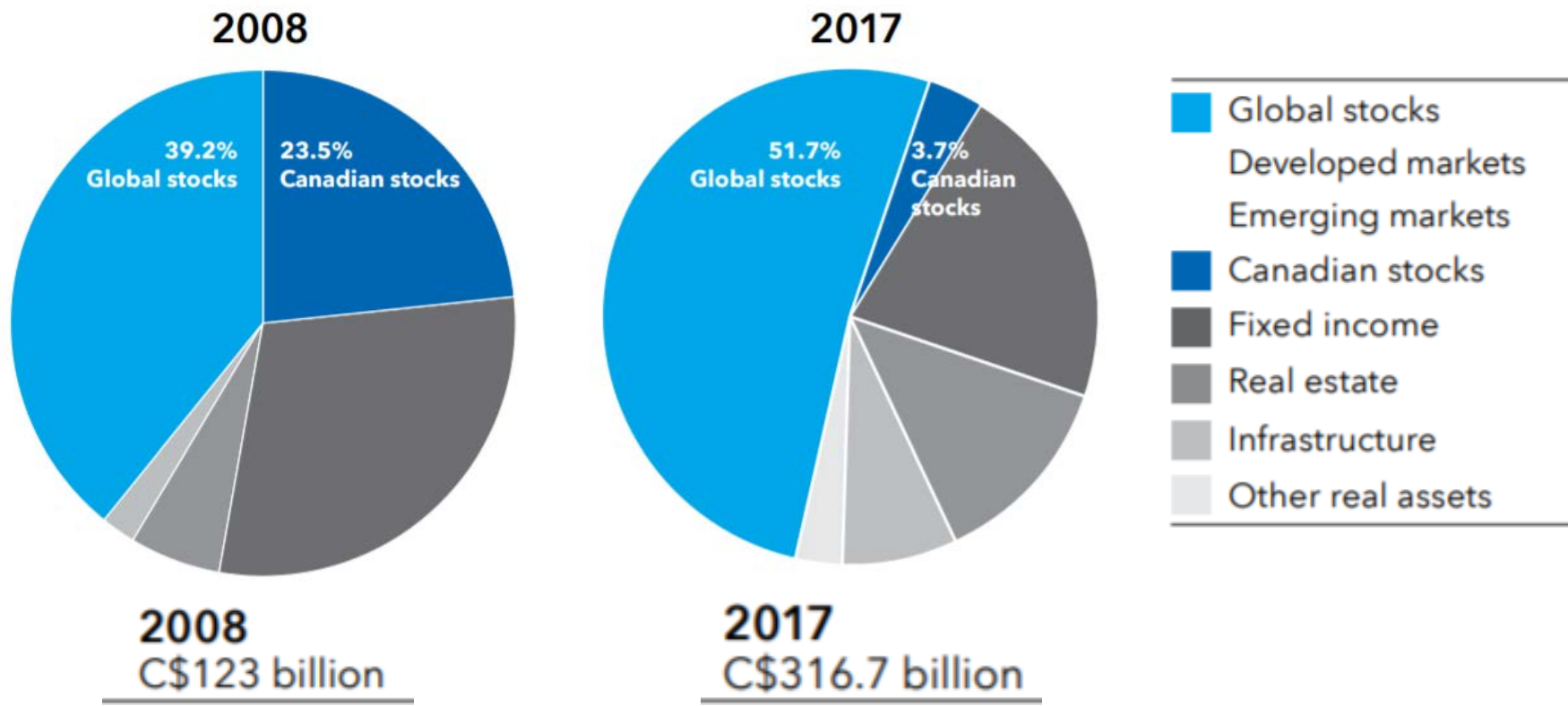
- Conservative investments of GIC's and Bonds during first 12 years for preservation of capital.
- Decision to diversify the asset mix in 2017 to achieve a better overall return on investment:
 - Increase equity representation from 4% to 20% to 32%
 - Portfolio retains a conservative equity percentage
 - Trustees decision is supported by the Beneficiaries
- A Request for Proposals has been sent to a number of Financial Institutions for further diversification of the funds to include an International portfolio.

Asset Mix – Transition Since 2017

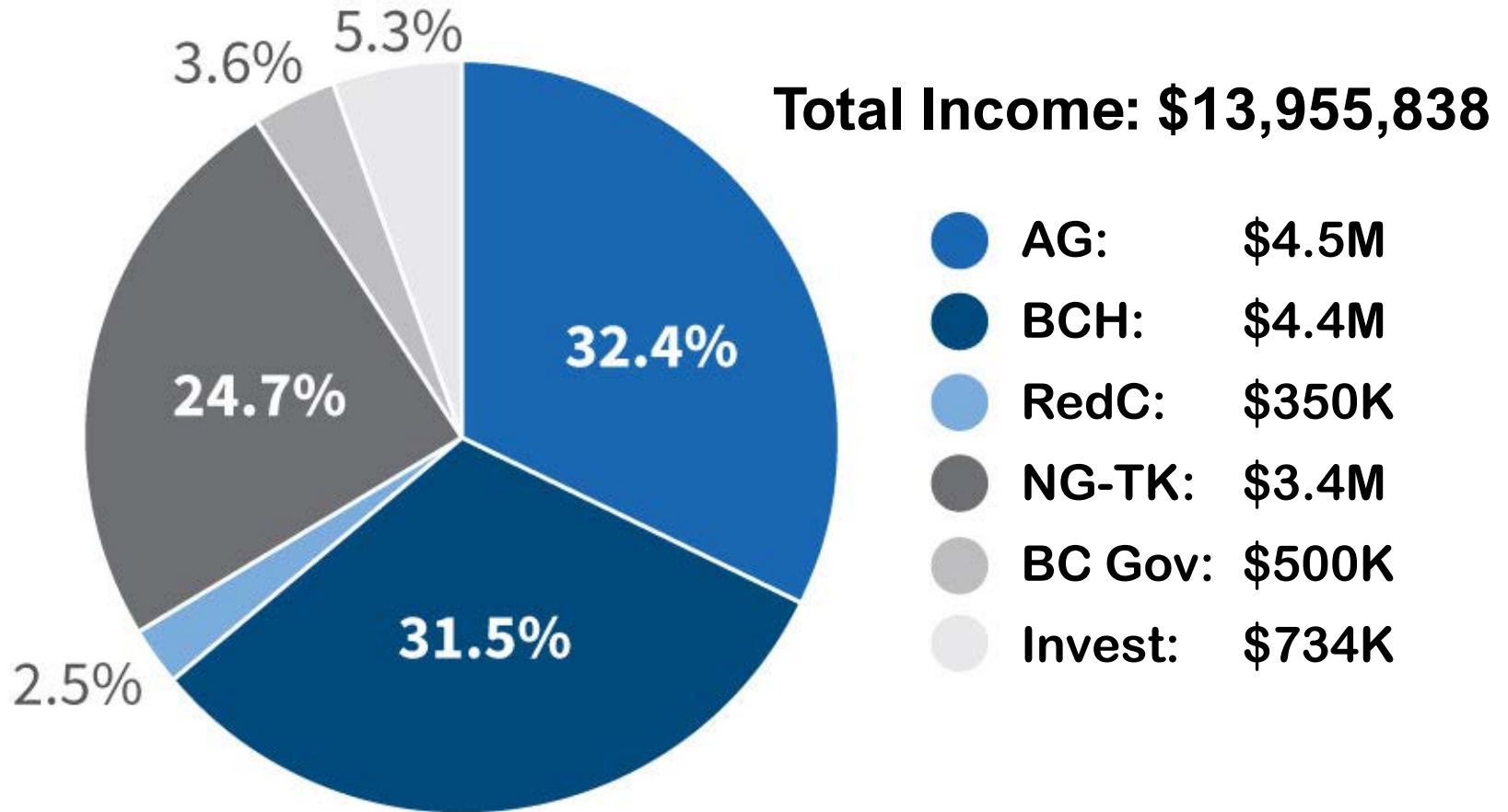


Canada Pension Plan Comparison

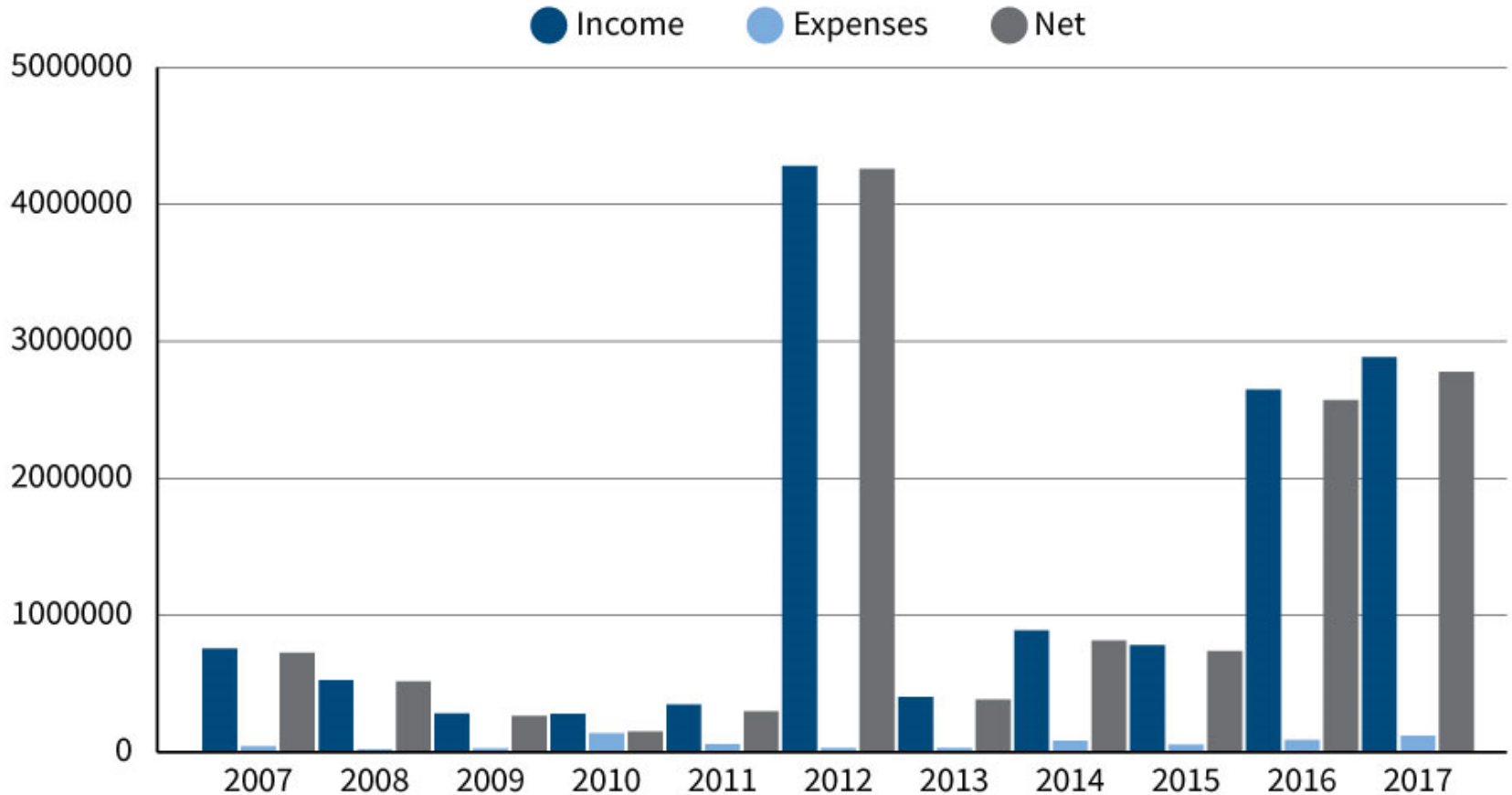
A compelling example of a diversified approach to investing. Increasing the asset mix to include more global exposure grew the CPP portfolio by 15.5% over 9 years.



Sources of Income



Income & Expenses



Portfolio Performance Report

Portfolio Performance Report				
Increase in Value & Rate of Return				
Year	Deposits/ Withdrawals	Net Profit (Gain/Loss)	Total	Percentage Gain/Loss
2012	\$1,921,868	\$48,371	\$1,970,239	3.36%
2013	\$300,000	\$95,518	\$2,365,758	4.39%
2014	\$1,800,000	\$155,964	\$4,321,722	4.71%
2015	-\$500,000	\$90,812	\$3,912,534	2.06%
2016	\$1,500,000	\$154,126	\$5,566,660	3.33%
2017	\$4,000,000	\$166,414	\$9,733,074	2.43%
Total	\$9,021,868	\$711,205	\$9,733,074	Avg: 3.38%

Distribution History

- No distributions have been made during the first 14 years to allow the fund to grow to approximately \$12,000,000.
- A resolution was approved at the 2016 AGM that TCG be provided \$100,000 from the Trust to establish an education fund.
 - The Trustees approved this distribution and issued a cheque to the TCG for the \$100,000 in April 2018.
 - The beneficiaries have agreed the TCG will be responsible for the distribution of the education fund.
 - The TCG will provide a financial report at year end to the Tahltan Heritage Trust to account for the distribution of the education funds.
- Work towards the Tahltan Community Foundation has been deferred at this time.

Distribution Policy (process)

- All requests for distribution of funds will be approved annually at the Tahltan Annual General Assembly (AGA).
- The entity receiving a distribution will be responsible for:
 - Distribution of their fund; and
 - Providing a brief summary and financial report of their distributions at year-end.
- Trustees will integrate summary reports from each entity receiving funds into the Trust's annual report.

Distribution Policy (inflation factor)

- The inflation factor will be applied to the Dec 31 balance in the fund (equity investments excluded).
 - This preserves the real value of the fund.
 - 2% to 5% is the industry standard so the inflation factor would be between \$199,705 and \$499,262 based on a fund balance of \$9,985,241 at the end of 2017.
- The Trustees propose to scale the inflation factor up to 2% over a 4-year period as follows:
 - 2018 0.5%
 - 2019 1.3%
 - 2020 1.7%
 - 2021 onwards 2.0%

Distribution Policy (formula)

- The formula for Funds Available for Distribution (FAD) in any given year is:

Interest earned from previous year

Minus Fees and Expenses

Minus Inflation Index

= Funds Available for Distribution

Projected Funds Available for Distribution

Year	2018	2019	2020	2021	2022
Fund Balance	\$9,985,241	\$12,485,241	\$14,985,241	\$17,485,241	\$19,985,241
Interest earned (5%)	\$372,618	\$624,262	\$749,262	\$874,262	\$999,262
Professional fees & expenses	\$21,465	\$31,213	\$37,463	\$43,713	\$49,963
Investment fees and charges	\$86,266	\$93,639	\$112,389	\$131,139	\$149,889
Inflation index (%)	0.5%	1.3%	1.7%	2.0%	2.0%
Inflation index (\$)	\$49,926	\$162,308	\$254,749	\$349,705	\$399,705
FAD	\$214,961	\$337,102	\$344,661	\$349,705	\$399,705

Note that there are many assumptions so this is more illustrative than accurate

Trustees' Policy and Operations Manual

- The Trustees have been using the Trust Agreement as a guideline for all decisions (includes an Investment Policy).
- The Trustees are working with Peace Hills Trust on an Aboriginal Trust Agreement.
- A Policy and Operations Manual is an essential tool to assist current and future Trustees in managing the Trust while also protecting the funds. This manual is being developed and will include:
 - Trust Overview & Introduction
 - Trustee Principles & Procedures
 - Accounting and Reporting Processes
 - Beneficiaries Principles & Procedures
 - Policy Development
 - Appendix Documents (Guidelines & Forms)

Tahltan Heritage Trust

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Questions?