

Yuulu?i?ath Settlement Trust

Annual Report

December 31, 2013

Prepared March 25, 2014

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Contents

	Page
Preface	1
What is a Trust?	1
What is the Trust Agreement?	2
Creation of the Trust	2
Purpose of the Trust	2
Trustees	3
2013 Objectives	3
2013 Activities	4
Investment Performance	5
Financial Activities	7
Audited Financial Statements	7

PREFACE

This annual report has been prepared by the trustees of the Yuułuᑭiᑭᑭᑭᑭ Settlement Trust to inform the citizens of the Yuułuᑭiᑭᑭᑭᑭ First Nation of the activities and results of the operations of the Trust for the year ended December 31, 2013.

WHAT IS A TRUST?

A trust is a relationship created to hold title to property for the benefit of the beneficiaries. There are three parties involved in the creation of a trust:

Settlor – This is the person who sets up or creates a trust. The Yuułuᑭiᑭᑭᑭᑭ First Nation selected Eric Russcher, Mayor of Ucluelet at the time, as the settlor of the Trust. The role of the settlor is complete once a trust is created.

Trustees – The trustees control the Trust and are responsible for managing the Trust in accordance with the terms of the trust agreement and common law related to trusts. Yuułuᑭiᑭᑭᑭᑭ First Nation has appointed five trustees.

Beneficiaries – These are the persons or entities intended to benefit from the Trust. The beneficiaries of the Trust are the Yuułuᑭiᑭᑭᑭᑭ First Nation and any charity that directly or indirectly benefits Yuułuᑭiᑭᑭᑭᑭ citizens.

WHAT IS THE TRUST AGREEMENT?

The trust agreement is the document that creates the Trust and sets out the terms and conditions of the operation of the Trust. The trust agreement sets out:

- the purpose of the Trust,
- the duties, powers, responsibilities, appointment and removal of trustees,
- the beneficiaries,
- how trust assets are to be managed,
- how trust assets are to be distributed to beneficiaries, and
- termination or wind-up of the Trust.

CREATION OF THE TRUST

The Trust was created by the government of the Yuułuᑭiᑭᑭᑭ First Nation as part of the preparations for the implementation of the treaty which came into effect on April 1, 2011. The trust agreement was finalized and executed as of March 15, 2011.

PURPOSE OF THE TRUST

The purpose of the Trust is to receive and invest contributions of eligible treaty payments from the Yuułuᑭiᑭᑭᑭ First Nation. The Yuułuᑭiᑭᑭᑭ First Nation may contribute to the Trust all or part of capital transfer and resource revenue sharing amounts paid under the treaty.

Amounts contributed to the Trust are to be held, protected and nurtured for the benefit of the trust beneficiaries. Trust funds, including the original contributions and income earned from investment of contributions, are intended to be used for community benefits based on priorities determined by the Yuułuᑭiᑭᑭᑭ First Nation government.

TRUSTEES

The trust agreement provides that the Yuułuᑭiᑭᑭᑭᑭ First Nation has the authority to appoint and remove trustees. The trustees appointed by the Nation are:

Michelle Corfield

Larry Baird

Cathy Rothwell

Spencer Touchie

Gordon Taylor Jr.

The trustees are obligated to carry out their duties as provided in the trust agreement and to ensure that the purposes for which the Trust was created are being met.

2013 OBJECTIVES

The primary objectives established by the trustees for the third year of operations were:

- Prepare and make available to Yuułuᑭiᑭᑭᑭᑭ citizens a copy of the Trust's audited financial statements and annual report for the fiscal period ending December 31, 2012,
- Monitor the performance of Leith Wheeler Investment Counsel Ltd. (Leith Wheeler), the firm responsible for managing the Trust's investment portfolio,
- Participate in professional development specific to the duties and responsibilities of the trustees,
- Implement administrative policies and procedures to ensure trust financial and administrative activities are conducted professionally and properly documented.

The objectives for the third year have been accomplished. The trustees will continue to look for opportunities to refine and improve operations.

2013 ACTIVITIES

Monitoring of the Investment Manager

The trustees monitor Leith Wheeler's performance in managing the investment portfolio. At a minimum monitoring includes:

- Reviewing monthly summary portfolio statements provided by Leith Wheeler,
- Reviewing, at a trustee meeting, detailed quarterly reports provided by Leith Wheeler, and
- Having Leith Wheeler attend at least one trustee meeting to review performance and discuss economic forecasts.

Trustee Meetings

The trustees conducted business at nine meetings during 2013. Minutes of trustee meetings are posted in a public area of the administrative offices of the Yuułu?if?ath First Nation.

Trustee Professional Development

The trustees determined that the best approach to obtain professional development specific to their duties and responsibilities was to plan and put on a one day workshop. Trustees of other Maa-nulth trusts participated, including covering their share of costs. The workshop was held on November 4, 2013 in Port Alberni. Subjects included trustee legal obligations, liability insurance, trust administration, investment management and independent investment oversight. The trustees were

pleased with the quality of the professional development and the minimal costs to access it at a convenient location.

Trust Funds

During 2013 the Trust received contributions of capital transfers and resource revenue sharing funds from the Nation of \$3,282,839. In the same period the Trust distributed \$729,896 to the Nation for a treaty negotiation loan repayment and budgeted community benefits. With the exception of cash required for the Trust's operating expenses the balance of the funds held by the Trust have been transferred to the Trust's investment portfolio managed by Leith Wheeler.

INVESTMENT PERFORMANCE

The investment portfolio being managed by Leith Wheeler is designed to protect and grow the capital of the Trust over the long-term and to produce a reasonable annual income.

The investment policy adopted by the Trust recognizes that the capital value of the Trust will move up and down in the short-term. The trustees monitor the investment portfolio on a monthly basis. Short-term fluctuations in the value of the portfolio are noted however the performance of the investment manager will be judged based on the long-term results.

The following comment has been provided by Andrew Hoffman, Vice President, Leith Wheeler:

2013 turned out to be an exceptional year for stock markets, which drove a strong portfolio return. Your U.S. stocks delivered returns over 40%, while both your Canadian and International stocks were up close to 25%. Your bonds did better than the overall market but declined slightly due to the increase in interest rates over the year.

While these returns are encouraging, the natural question becomes what to expect in 2014 and the years that follow. Over the last several years, companies have improved their balance sheets and are able to borrow at very low interest rates, helping their profitability. Revenue expectations are improving as investors become more confident about the outlook for global growth. Companies are also doing well and are returning profits to shareholders by issuing bigger dividends. Finally, the global economy continues to improve from the damage caused by the economic crisis in 2008.

We believe things are moving in the right direction and remain optimistic about returns looking out over the next several years. Stock markets will experience ups and down along the way. The big advantage your Trust has is a very long time horizon. The Trust is invested for the long term to ensure funds are maintained for future generations while also providing stable, consistent income to benefit the community. Your portfolio is invested in a combination of very secure bonds and high quality companies to meet these goals. Since the trust was invested in April of 2011, we are happy to report the Trust has grown at an annual rate of 9.4% per year.

FINANCIAL ACTIVITIES

Significant financial results from the audited financial statements of the Trust for the period ended December 31, 2013 are:

Cost of investment portfolio	\$ 8,865,147
Add: unrealized gain in market value	<u>974,904</u>
Market value at December 31, 2013	\$ <u>9,840,051</u>
Investment income and gains on sales	\$ 459,804
Operating expenses	<u>58,570</u>
Excess of revenue over expenses	\$ <u>401,234</u>

AUDITED FINANCIAL STATEMENTS

Attached to this report are the Trust's audited financial statements for the period ended December 31, 2013.