



## **Athlii Gwaii Legacy Trust**

PO Box 588

Masset BC V0T 1M0

Phone: 1-250-626-3654/ Fax: 1-250-626-3261 (Masset Office)

Phone: 1-250-559-8883/ Fax: 1-250-559-8876 (Skidegate Office)

### **Athlii Gwaii Legacy Trust (AGLT) Operations Report for Fiscal Year Ended Dec 31<sup>st</sup> 2019**

#### **Pursuant to Sections 2(11) and 36(b) of the Deed of Trust settled as of March 29<sup>th</sup>, 2007 (the “Trust Deed”)**

##### **Preamble:**

The audited statement of the financial position of the Trust as of December 31<sup>st</sup>, 2019 can be found under the heading, “AGLT 2019 Financial Statement” on the Trust’s website at: <http://www.aglt.ca>

Over the course of the fiscal year ending December 31<sup>st</sup>, 2019 (“Fiscal 2019”), the only withdrawals of funds from the Trust’s investment fund (the “Fund”) were expenditures solely for the accumulation of investment income by the Fund, the paying of monthly reoccurring operational expenses related to the accumulation of that income, extraordinary legal expenses in the on-going resettlement of this Trust agreement, and awaiting the final call on the remaining partial funding of a lone project approved over a year ago. (See Financial Results, Expenses below).

As discussed in previous Operations Reports, the federal and provincial governments have confirmed their intentions to support the transfer of the AGLT to a standalone program under the Gwaii Trust Society (GTS). In the latest round of negotiations all parties: (Brad Stennes representing the Ministry of Natural Resources Canada (NRCAN); Sophia Lee representing the Ministry of Environment Climate Change Canada (ECCC) – lead agency for the Federal Government; & Jim Schafthuizen, representing the Province of BC Ministry Forests Lands and Natural Resources (FLNRO) & Errol Winter representing the interests of Athlii Gwaii Legacy Trust and Gwaii Trust Society) have concurred that the transfer of AGLT to GTS is the simplest most cost effective method in achieving resolution. Since the sign off of Canada’s lead – ECCC, without any outstanding conditions, the Province has committed to providing the Trust with a similar “Letter of Comfort” so we may begin the community consultative process leading up to the implementation of a regular program granting.

With the final letter of comfort in place from the Province, trustees would feel inclined to begin disbursing funds while awaiting final legislation crystalizing the written agreements.

The transfer process is relatively straight forward; since the plan for the transfer of the AGLT fund from AGLT to GTS, does not relate to any of the provisions within the Trust Deed, the view is that BC holds absolute constitutional jurisdiction over property and civil rights in BC (including all trusts set up in BC), and with the agreement of Canada, pursuant to the Canadian law of trusts, the BC legislature will pass BC legislation that covers three steps (As interpreted by Dr. Donovan Waters, Canada’s leading trust law expert.) These three steps will provide the statutory authority to:

- a) Wind up the affairs of AGLT (e.g. honour all AGLT’s obligations including paying all debts);
- b) Transfer the remaining assets of AGLT to GTS; and



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c) Terminate the trust under which AGLT exists.

Once we have received written confirmation from the Province and have a Trustee/Board resolution approved accepting any potential conditions, the Trustees will develop a draft business plan for presentation based on public consultation prior to finalization and eventual implementation.

This new direction would not change the initial tenets of AGLT whose original purpose it was to support economic opportunity in replacing the 365 full time equivalent forestry jobs that were lost with the reduction of timber stock supporting the transfer of 300,000 cubic meters of working forest to parklands. (For the current purposes of GTS see Appendix A)

Granting, operational and expense guidelines will continue to mirror those of the Gwaii Trust Society on a proportional basis, with total expenses restricted to a maximum of 4.0% of assets under administration. However, as the fund has been dormant for many years there has been a significant accrual of income there will be an initial period that may result in the Trustees exceeding the 4% maximum until the fund's buffer<sup>1</sup> falls to an amount appropriate to sustain expected returns necessary of a perpetual fund.<sup>2</sup> Today's buffer sits at approximately 41% of funds under administration.

### **Projects:**

#### ***A. Summary and explanation of practices used in review, evaluation and approval of Eligible Projects in the fiscal year ended December 31, 2019.***

No call for projects was put out in fiscal 2019, the Trustees are awaiting for approved legislation to be enacted by the Provincial Government to allow for the collapse of the original entity into the Gwaii Trust Society.

#### ***B. Full Listing of all Eligible Projects for which funding by the Trust was funded in the fiscal year ended December 31, 2019.***

<sup>1</sup> The term "buffer relates to the difference between the protected amount of the fund and the actual market value of the fund

<sup>2</sup> Fund managers and actuarial experts believe that in order to minimize the risk of capital depletion, in today's market environment, annual drawdowns should hover around 3.5% of assets under administration.



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There were no further projects awarded or expenditures on the sole outstanding project by the Secretariat of the Haida Nation for the compilation of a hard cover book “30<sup>th</sup> Anniversary of the Stand at Athlii Gwaii”, the original amount awarded was \$63,240.00; over the course of the 2019 fiscal year no additional funds were disbursed of the approved amount leaving an outstanding balance of \$39,915.00 yet to be funded. We anticipate that this project’s balance would be fully funded during the beginning of the first quarter of fiscal 2020.

### ***Summary and explanation of the Trust’s Statement of Financial Position in fiscal 2019; material changes and points of note.***

#### **Financial Results:**

**Expenses** - The Trust continued to carry only one small project, with no additional funds of the project being disbursed in fiscal 2019. Expenses were on budget, with the Fund’s only expense items being those necessary to maintain the Fund’s ongoing investments and audit/accounting processes, and extraordinary legal expenses in the on-going resettlement of this Trust agreement. The Trustees continue to broach the subject of reimbursement of costs, however the Province has not been forthcoming with current support for those discussions as of this writing. We will endeavour to continue to pursue these conversations more vigorously once all terms have been settled and legislation cleared.

**Income** –The fund earned roughly \$5 million during fiscal 2019. Strong markets continued to add to the AGLT portfolio. While signs of this market have appeared to continue into early 2020 results, we are expecting a more modest return over the course of fiscal 2020.

Annual fund gross returns before expenses and fees:

<b>Fund</b>	<b>2019 Annual Return</b>	<b>% of year end portfolio</b>
PHN	12.25%	48.15%
Templeton	10.68%	15.57%
Nicola	12.47%	36.28%
Total (Weighted)	12.10%	100.0%

Minimal fund withdrawals continued to play a role in the funds continued growth, while the well balanced portfolio offset the many market fluctuations in 2019.

The Statement of Investment Policies and Procedures (the “SIPP”) remains unchanged from the previous revision, and a new copy of those changes is signed off by the Trustees with an effective date of Jan 01<sup>st</sup> 2019, and may be found on the Trust’s website.



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### ***Summary and explanation of the investment strategy of AGLT in fiscal 2019 and any material changes in the investment of the property of the Trust.***

*Statement of Investment Policies and Procedures (SIPP) had no additional amendments in fiscal 2019.*

The following table sets out the respective weightings of asset classes in the Trust's portfolio of assets as at the end of calendar 2019(Dec 31<sup>st</sup> 2019):

<b>Asset Class</b>	<b>As a % of Portfolio</b>	<b>SIPP Range</b>
Canadian Equities	19%	15 – 25%
International Equities	37%	28 – 48%
<b>Total Equities</b>	<b>56%</b>	<b>43 – 73%</b>
Real Return Bonds	12%	05 – 20%
Federal Bonds	00%	
Provincial & Municipal Bonds	00%	
Corporate Bonds	17%	
Total Nominal Bonds	17%	12 – 22%
High Yield Bonds	00%	00 – 10%
Global Bonds	00%	00 - 05%
<b>Total Bonds</b>	<b>29%</b>	<b>17 – 57%</b>
Mortgage Fund	00%	
Real Estate	15%	
(Real Estate Development 0-25% of R.E. holdings)		
<b>Total Mortgage &amp; Real Estate Funds</b>	<b>15%</b>	<b>05 – 22%</b>
Private Placement	00%	00 – 10%
Cash	00%	
Treasury Bills & Short Term Investments	01%	
<b>Total Cash / Short Term Notes</b>	<b>01%</b>	<b>00 – 05%</b>
Total	100%	

All asset classes were within our prescribed portfolio guidelines during fiscal 2019.

Some market volatility was offset by a strong showing from our fixed income portfolio, particularly in real estate.



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**Athlii Gwaii Legacy Trust Trustees Approval:**

*CGreenough*

CGreenough (Mar 5, 2020)

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*Billy yovanovich*

Billy yovanovich (Mar 10, 2020)

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**Date, As To Both Signatures:**

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### **Appendix A:**

The approved and filed purposes (Nov 2018 in compliance with the current Society Act Amendments) of the GTS Society are:

- (a) To carry out activities beneficial to the communities (collectively, the “Community”) of the archipelago of Haida Gwaii also known as the Queen Charlotte Islands (the “Islands”) through:
  - (i) accepting funds from any donor, grantor or contributor;
  - (ii) assisting in promoting the cultural and economic health of the Community;
  - (iii) assisting in promoting the making of decisions by the Community that affect the economy and culture of the Community;
  - (iv) assisting in developing strategies to promote the well-being of the Community;
  - (v) fostering the spirit of cooperating, cultural understanding and trust by promoting the concept of the Islands as the Community;
  - (vi) stimulating employment in the Community through improvements in Islands infrastructure;
  - (vii) making the Community a better place to live through improvement of the islands’ infrastructure and thereby making the Islands a more desirable place to visit and to do business;
  - (viii) assisting in the promotion of education and artistic expression in the Community;
  - (ix) providing for research into the land and marine ecosystems and archaeology of the Islands;
  - (x) proving for conserving and sustaining the land and marine ecosystems and archaeological sites of the Islands;



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- (xi) providing for research into planning and implementation of strategies for a long-term sustainable economy for the Community; and
  - (xii) providing, where appropriate, local municipal services in lieu of a municipality doing so;
- (b) to carry out the activities described in sub clause 2(a) of this Constitution, in a manner broadly consistent with the principles enunciated in the agreement made between her Majesty the Queen in the Right of Canada and Her Majesty the Queen in the Right of British Columbia dated July 12, 1988, commonly called the South Moresby Agreement including, without limitation, the principles of economic development, job creation and economic diversification; and
- (c) to do all such things as may be necessary or conducive to the attainment of the aforesaid purposes.










# AGLT Operations Report Fiscal Year End - Dec 2019

Final Audit Report

2020-03-10

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