



Athlii Gwaii Legacy Trust

PO Box 588 Massett, Haida Gwaii V0T 1M0
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Athlii Gwaii Legacy Trust (AGLT) Operations Report for Fiscal Year Ended Dec 31st, 2020

Pursuant to Sections 2(11) and 36(b) of the Deed of Trust settled as of March 29th, 2007 (the "Trust Deed")

The audited financial statements for AGLT as of December 31st, 2020 can be found on the Trust's website at: <http://www.aglt.ca>.

Over the course of the fiscal year ending December 31st, 2020 ("Fiscal 2020"), the only withdrawals of funds from the Trust's investment fund (the "Fund") were related to the accumulation of investment income and the administrative and extraordinary legal costs associated with the ongoing efforts and negotiations to resettle the Trust.

As discussed in previous operations reports, the federal and provincial governments have provided written confirmation of their intentions to support the transfer of AGLT to a standalone program under the Gwaii Trust Society (GTS). All members of the Athlii Gwaii Working Group (Brad Stennes representing the Ministry of Natural Resources Canada [NRCAN]; Chris Lee representing the Ministry of Environment and Climate Change Canada (ECCC), lead agency for the Federal Government; Jim Schafthuizen, representing the Province of BC Ministry of Forests Lands and Natural Resources (FLNRO); and Errol Winter representing the interests of AGLT and GTS) have concurred that the transfer of AGLT to GTS is the most simple and cost-effective method in achieving resolution. Canada's lead, ECCC, signed off in 2019 without any outstanding conditions, and the province provided the Trust with a similar "Letter of Comfort" in June 2020. The Athlii Gwaii Working Group meets at least biweekly, and Trustees have begun attending meetings in an effort to move the file forward. Following Errol Winter's departure from GTS, COO Carla Lutner assumed the lead representing the interests of AGLT and GTS.

A critical path forward plan has been developed that outlines the documentation and actions needed to complete the transfer and wind-down of AGLT. This document outlines areas of responsibility and timelines for each of the tasks that are necessary to amalgamate the fund with GTS. Steps identified include receiving final sign off from the federal and provincial governments, satisfying all outstanding liabilities and obligations of AGLT, the passing of BC legislative amendments to authorize the transfer and wind-up of AGLT, and finally the transfer of funds and termination of the Trust. This plan anticipated that the transfer would be complete in March 2021. There has been a delay in implementing the plan as there is not yet agreement at the table on what the passive protector role should be. In addition, new concerns have emerged relating to restrictions on the use of the fund, protection of capital, provincial and federal indemnity, amendment of the South Moresby Agreement, and the appropriate method of tabling the legislation.

With the final letter of comfort in place from the province and a plan to wind-down the Trust in place, the Trustees began to develop a business plan framework to present to the public for feedback. The Trustees expected that once they had received written commitments from the provincial and federal governments that they would be able to begin disbursing funds while awaiting final legislation, crystalizing the written agreements once the public consultation and development of the business plan was complete. Community consultation commenced in September 2020 with the GTS Board and



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Trustees presenting to local leadership via Zoom meetings. The Trustees' plan is that AGLT would disburse funding to the communities by awarding grants to projects that advance three specific purposes: Restoration, Renewables, and Revitalization (the 3 R's). The purposes are explained below.

1. Restoration: Protect and restore the natural environment and ecological integrity of Haida Gwaii's land, air and waters.
2. Renewables: Support the transitioning of Haida Gwaii's fossil fuel dependent electrical grids to renewable energy sources. Support the productive and sustainable use of Haida Gwaii's natural resources (land, air and water) in perpetuity.
3. Revitalization: Support the increase in economic diversification, resilience and self-sustainability of the communities and residents of Haida Gwaii.

The 3 R's comprise the pillars of the plan that the Trustees and GTS Board are presenting to the community for feedback. Granting, operational and expense guidelines will continue to mirror those of the GTS 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. As such, during the first few years the spending plan will exceed the 4% maximum in an effort to bring the retained earnings to an amount appropriate to sustain expected returns necessary of a perpetual fund.

Public consultation was paused by the Trustees in November 2020. Outstanding questions around what restrictions would be imposed on the use of the funds, possible conditions of the uses of the fund and the unknown timing of a transfer created too much uncertainty for the Trustees and GTS Board to be able to plan effectively. Consultation will resume once there is resolution to these outstanding issues.

PROJECTS

A. Summary and explanation of practices used in review, evaluation and approval of Eligible Projects in the fiscal year ended December 31, 2020.

No call for projects was put out in fiscal 2020, the Trustees are awaiting approved the enactment of legislation by the provincial government to allow for the collapse of the original entity into GTS.

B. Full Listing of all Eligible Projects for which funding by the Trust was funded in the fiscal year ended December 31, 2020.

There were no further projects awarded or expenditures on the sole outstanding project with the Secretariat of the Haida Nation for the compilation of a hardcover book "Athlii Gwaii: Upholding Haida Law at Lyell Island". The original amount awarded was \$63,240.00; over the course of the 2020 fiscal year no additional funds were disbursed leaving an outstanding balance of \$39,915.00 yet to be funded. As of February 2021, we have received the final report for this project and will be paying out and closing this grant by the end of February.



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FINANCIAL RESULTS

Expenses: The Trust continued to carry only one small project, with no additional funds of the project being disbursed in fiscal 2020. Expenses were on budget, with the exception of legal expenses. In addition to the increased legal work that the final stages of the amalgamation brings, our longtime lawyer, Tony Knox, gave up his legal license in March of 2020 and additional costs were incurred to bring the new legal team, Miller Titerle, up to speed as well as to brief the new provincial lawyer. The Trustees continue to broach the subject of reimbursement of costs, however there hasn't been support for this from government. We will continue to pursue these conversations more vigorously once all terms have been settled and legislation cleared.

Income: The fund earned roughly \$4 million during fiscal 2020. Markets dipped in the first half of the year but recovered by November and returns met investment goals for the year.

Annual fund gross returns before expenses and fees:

Fund	2020 Annual Return	% of year end portfolio
PHN	9.93%	49.47%
Templeton	5.58%	14.39%
Nicola	6.49%	36.14%
Total (Weighted)	8.06%	100.0%

Summary and explanation of the investment strategy of AGLT in fiscal 2020 and any material changes in the investment of the property of the Trust.

George and Bell Consulting, an actuarial and investment consulting firm based out of Vancouver, was engaged in 2020 to review the GTS and AGLT Investment Managers and their management of the Trust's investment portfolio. The review analyzed the organizational stability, investment personnel, investment process, performance, fees, client servicing and adherence with the SIPP of each of the Investment Managers. In addition, they provided their recommendations regarding potential changes for the Trust to consider regarding overall investment strategy, including comments on asset mix and SIPP. Based on their recommendations, and incorporating the feedback of the Chief Investment Officer, Errol Winter, the SIPP was amended in 2020 with the following changes:

- Added an explicit nominal or real return performance objective to the SIPP (e.g., absolute return of 5.5% or CPI + 3.5%) based on the Trust's spending needs.
- Removed the real return bond objective for the total portfolio.
- Added sections on the asset mix specific to managers who manage more than one asset class. For example, a target asset mix and ranges just for PH&N or for Nicola as well as benchmark objectives for each.
- Reduced the value-add targets for the mandates.



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- Added an asset class called Core Plus Bonds, which represents the full Core Plus Bond Fund (including high yield bonds, mortgages, and emerging market debt) and doesn't distinguish between the various components.
- In Section 4 (Manager Responsibilities 7), clarified that the manager is required to provide information on infractions within pooled funds even though such infractions are permitted, and that the fund manager be required to annually forward us the most current version of the fund's Statement of Policies & Procedures (SIPP).

The review also recommended revising the Trust's asset mix as well as reviewing other Investment Managers for the global equity portfolio once the funds had recovered from the dip in the first half of 2020. George and Bell have been engaged as of January 2021 to review the asset mix of the fund and make recommendations for additions of asset classes and Investment Managers.

The following table sets out the respective weightings of asset classes in the Trust's portfolio of assets as at the end of calendar 2020 (Dec 31st, 2020):

Asset Class	As a % of Portfolio	SIPP Range
Canadian Equities	20%	15 – 25%
International Equities	36%	28 – 48%
Total Equities	56%	43 – 73%
Real Return Bonds	08%	05 – 20%
Nominal Bonds	21%	12 – 22%
Total Bonds	29%	17 – 57%
Total Mortgage & Real Estate Funds	14%	05 – 22%
Total Cash / Treasury Bills & Short Term Investments	01%	00 – 05%
Total	100%	

All asset classes were within our prescribed portfolio guidelines during fiscal 2020.

Athlii Gwaii Legacy Trust Trustees Approval

CGreenough
CGreenough (Feb 18, 2021 18:47 PST)

Trustee

Billy yovanovich
Billy yovanovich (Feb 18, 2021 19:45 PST)

Trustee

AGLT 2020 Operations Report

Final Audit Report

2021-02-19

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