

TA'AN KWÄCH'ÄN COUNCIL

INVESTMENT POLICY STATEMENT

25 November 2010

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Authorized Official: _____

Brenda Sam
Chief

Ta'an Kwäch'än Council

INVESTMENT POLICY STATEMENT

1.0 Overview

1.1 This Investment Policy Statement (the "Statement") contains investment guidelines and monitoring procedures that apply to the following funds resulting from the Ta'an Kwäch'än Council (the "TKC") Final Agreement:

- 1.1.1 compensation fund;
- 1.1.2 economic development fund;
- 1.1.3 taxation fund; and

funds comprising the

- 1.1.4 transition fund; and
- 1.1.5 operations surplus fund.

1.2 The funds listed in sections 1.1.1 to 1.1.5 (collectively referred to as the "Fund" unless referred to individually) are managed in accordance with all applicable legal requirements, including the TKC Self-Government Agreement, the TKC Final Agreement, Chapter 19, the *Constitution of the Ta'an Kwäch'än Council* and legislation, notwithstanding any indication to the contrary that might be construed from this Statement.

1.3 The Fund operates on a fiscal year, with the quarters ending June 30, September 30, December 31 and the year ending March 31.

1.4 The Fund is held in trust by the Chair/Chief and the Board of Directors (the “Board”) and is established for the beneficiaries of TKC. As such, the quarterly statements showing the market value of the Fund are available for review during normal business hours at the TKC business offices, located in Whitehorse, by any TKC beneficiary.

2.0 Responsibilities

2.1 The Board shall have the authority and the responsibility to approve this Statement pursuant to which the Fund is invested. This Statement shall be formally reviewed and updated as necessary and approved every two years at a minimum.

2.2 The responsibility for implementation and compliance with this Statement lies with the TKC Investment Committee (the “Committee”).

2.3 The Committee shall consist of nine members from the Traditional Families as follows:

2.3.1 two representatives of the Chief Jim Boss family;

2.3.2 three representatives of the Maggie Broeren family;

2.3.3 one representative of the Jenny Dawson family;

2.3.4 two representatives of the Jenny Lebarge family; and

2.3.5 one representative of the Susie Jim family.

2.4 The Committee may appoint an ex-officio, non-voting member to add technical knowledge and analytical ability to the Committee. The Committee members shall be selected by their Traditional Families and their appointment confirmed by the Chair/Chief with the Board.

2.5 The Committee members are appointed to a minimum term of two years and a maximum term of three years. The Committee members may be reappointed to consecutive terms on the Committee. A Chair shall be appointed by the Board who may be a non-voting member of the Committee. The quorum for all meetings of the Committee shall be 75 per cent of the nine appointed members. Recommendations shall be made on a consensus basis. The Committee members are required to participate in educational workshops, conferences and training sessions at least once every two years in order to build their knowledge and expertise on investment issues.

2.6 The Committee shall meet at least quarterly to review the quarterly statements and discuss any changes to the general investment strategy of the Investment Counseling Firm. No meeting shall take place unless a minimum of three

Committee members are in attendance. The Committee members shall attend a minimum of three meetings each year. The Committee members will be given written notice of upcoming meetings. A Committee member who fails to attend three consecutive meetings shall be deemed to have resigned their position. The Board shall be notified by the Committee Chair and the Board shall inform the Traditional Family and request that a replacement member be selected. If the Traditional Family fails to ensure their representation on the Committee, they shall be deemed to have waived their right to representation and the Committee shall continue in the execution of its duties and responsibilities.

- 2.7 The Committee shall delegate some of its responsibilities with respect to the investments of the Fund to agents and advisors. In particular the services of a Custodian and one or more Investment Counseling Firms shall be retained. The Investment Counselor must be a firm registered as Investment Counselor/Portfolio Manager with the appropriate Securities Commission.
- 2.8 The Committee shall maintain an active role in advising the Board with respect to the following:
- (i) formulation of this Statement;
 - (ii) appointment and monitoring of Investment Counseling Firms, Custodians, agents and advisors;
 - (iii) evaluation of the Fund's performance;
 - (iv) communication of the Fund's performance with the Chair/Chief and Board and General Assembly; and
 - (v) development of a sustainable funding policy for disbursement of funds from the Fund to TKC.
- 2.9 The Committee shall ensure that any person to whom it delegates responsibilities with respect to the investment of the Fund shall adhere to the provisions of this Statement.

3.0 Conflicts Of Interest

- 3.1 Members of the Committee, TKC employees, the elected and appointed officials of TKC, agents, advisors, Custodians and Investment Counseling Firms whose services are retained for the investment of the Fund are all fiduciaries and, as such, are subject to the following guidelines:
- (i) fiduciaries shall not permit their interests to conflict with their duties and powers with respect to the Fund;

- (ii) a conflict of interest is deemed to exist when the private interests of a fiduciary are of sufficient substance and proximity to their duties and powers with respect to the Fund that their ability to render unbiased advice or to make unbiased decisions affecting the Fund;
 - (iii) a fiduciary who wishes to make a recommendation or take action with respect to the investment of the Fund must disclose all actual or perceived conflicts of interest in writing, as soon as possible, along with all relevant details to the Committee;
 - (iv) while every circumstance giving rise to possible conflicts of interest cannot be identified, fiduciaries shall disclose, among other things:
 - (a) material beneficial ownership of investments that the Fund may be considering buying or divesting;
 - (b) compensation received from any persons or corporations other than one's employer and, in particular, from the issuer or vendor of securities that the Fund owns or may be considering buying;
 - (c) where they are an employee or agents of the Investment Counseling Firm; and
 - (d) consideration paid or granted to others for making a particular recommendation relating to the investment of the Fund;
 - (v) should the Committee be unable to determine if a conflict of interest exists, they shall refer to the matter to the Chair/Chief and the Board. If the Chair/Chief and the Board are unable to determine if a conflict of interest exists, the matter will be resolved in the manner specified in the *Constitution of the Ta'an Kwäch'än Council*;
 - (vi) where a conflict of interest is deemed to exist or if its existence is disputed, the person, or persons, named in the conflict shall not be entitled to vote on the issue concerning the conflict or possible conflict; and
 - (vii) if a conflict of interest is deemed to exist and after the fact a fiduciary made money privately from a conflict, any gains that result from the conflict shall be turned over to TKC.
- 3.2 All fiduciaries shall sign a declaration stating that they understand the issue of conflicts of interest and that they shall immediately disclose any issue that is or may be perceived as a conflict of interest.
- 3.3 Investment Counseling Firms providing services to the Fund shall comply with the Code of Ethics and Standards of Professional conduct adopted by the Association of Investment Management and Research (AIMR).

3.4 All investment transactions shall be conducted in accordance with the laws of Canada, the Yukon Territory and TKC.

4.0 Fund Objectives

4.1 The principal objective for the Fund is to protect and preserve real value (inflation adjusted) of the compensation money flowing from the TKC Final Agreement over the long term.

4.2 The financial objectives for the Fund are to achieve a balance of the following individual objectives:

- (a) safety of principal, to ensure the Fund is maintained for future generations;
- (b) assurance of stable and consistent income streams to meet the goals of TKC;
- (c) seeking capital appreciation without undue risk so that the Fund continues to grow over time;
- (d) minimize risk through diversification; and
- (e) show rates of return over the long-term superior to those achieved from investment solely in bonds, short-term notes or other fixed income instruments.

4.3 It is the desire of TKC that its beneficiaries become more knowledgeable about the Fund. To that end, the Investment Counseling Firm should be available semi-annually to give an investment seminar to the membership. The goal of these seminars is to educate the beneficiaries in the investment process so that they understand the operation of the Fund.

4.4 It is the desire of TKC to structure the Fund so that the revenue generated by the Fund remains tax-free. To that end, any discussion or suggestion regarding the Fund should address the tax consequences of any decision.

4.5 It is the desire of TKC to have the compensation fund increase in value as much as possible in the next five years. Therefore, no money shall be paid out of the compensation fund for a five-year period from the date of the implementation of this Statement, or April 2004, with the exception of those funds necessary to pay the direct expenses of the compensation fund. All other returns shall be reinvested in the compensation fund so as to promote maximum growth in the first five years after the first settlement payment.

5.0 Asset Allocation

5.1 The Fund's target assets allocation over a rolling five-year period is as following:

5.1.1 Target assets allocations for the compensation fund:

Asset Class	Market Value of Fund
Short term securities	5%
Bonds	35%
Canadian equities	20%
Foreign equities	40%
	100%

The asset allocation for the compensation fund is maintained within the following limits:

Asset Class	Market Value of Fund	
	Minimum	Maximum
Short term securities	0%	20%
Bonds	30%	55%
Total Fixed Income	30%	55%
Canadian equities	10%	50%
Foreign equities	10%	50%
Total Equity	45%	70%

Should the asset allocation fall outside such limits, the Investment Counseling Firm shall advise the Committee. The Investment Counseling Firm shall take action to correct the situation as soon as possible taking into account the best interests of the Fund.

In anticipation of currency fluctuations, the maximum Canadian and minimum foreign equity allocations shall be reviewed by the Committee on a quarterly basis as of the date of approval of the revisions to this Statement.

5.1.2 Target assets allocations for the economic development fund, the transition fund , the taxation fund and the operations surplus fund:

Asset Class	Market Value of Fund
Short term securities	25%
Bonds	75%
	100%

The asset allocation for the economic development fund, the transition fund , the taxation fund and the operations surplus fund is maintained within the following limits:

Asset Class	Market Value of Fund	
	Minimum	Maximum
Short term securities	15%	75%
Bonds	25%	85%

Should the asset allocation fall outside such limits, the Investment Counseling Firm shall advise the Committee. The Investment Counseling Firm shall take action to correct the situation as soon as possible taking into account the best interests of the Fund.

- 5.2 Short-term securities include cash and fixed income securities having a maturity of less than one year.
- 5.3 Bonds include all fixed income securities having a maturity of one year or longer.
- 5.4 Canadian equities include common stocks, preferred stocks, limited liability income trusts and convertible debentures of Canadian issuers.
- 5.5 Foreign equities include common stocks, preferred stocks, limited liability income trusts and convertible debentures of non-Canadian issuers.

- 5.6 The target asset allocation has been determined with the objective of maximizing returns with an appropriate level of risk.
- 5.7 The long-term expected return and risk parameters of the targeted asset allocations are as follows:
- 5.7.1 For the compensation fund
- (i) a real rate of return of 4% on a 5-year rolling basis; and
 - (ii) a maximum negative volatility in any rolling one-year period of 10%.
- 5.7.2 For the economic development fund, the transition fund, the taxation fund and the operating surplus fund
- (i) a real rate of return of 1.5% on a 5-year rolling basis.
- 5.8 The Fund is periodically rebalanced by the investment counseling firm in order to compensate asset allocation shifts arising from differences in rates of return on different asset classes.
- 5.8.1 TKC and the fiduciaries acknowledge that the target of maximum downside volatility is less than what has been experienced during the recent negative returns of 2000–2002. Since this period experienced the worst cumulative negative returns in 70 years, the fiduciaries believe that under normal circumstances this downside volatility target is a reasonable goal for the investment manager.

6.0 Fund Investments

- 6.1 The Fund is strictly invested in the following asset categories:
- (i) cash;
 - (ii) demand or term deposits;
 - (iii) short term notes;
 - (iv) treasury bills;
 - (v) bankers acceptances;
 - (vi) commercial papers;
 - (vii) bonds, including coupons, residuals and private placements;
 - (viii) mortgage backed securities;
 - (ix) convertible debentures;
 - (x) common and preferred stocks;
 - (xi) limited liability income trusts;

- (xii) derivatives when held within a pooled fund without leverage;
- (xiii) equity private placements when held within a pooled fund; and
- (xiv) pooled funds invested in any or all of the above assets categories.

6.2 The Fund does not engage in:

- (i) the purchase of securities on margin;
- (ii) the use of derivatives for speculative purposes or to add leverage to the fund;
- (iii) direct loans to individuals or corporations;
- (iv) short selling; or
- (v) the purchase of private placements of equity securities outside of a pooled fund.

6.3 Fund assets shall not be used as a guarantee for any obligation or loan of any kind.

7.0 Investment Risk

7.1 Diversification shall be achieved in part by limiting to 8% or less the percentage of the market value of the total portfolio invested in a single security not guaranteed by the Government of Canada or a Canadian Province. Efforts shall be made to restrict the investment in a group of equities whose returns are expected to be highly correlated and to provide diversification across all industry sectors.

7.2 Liquidity shall be achieved in part by limiting to 12% or less the percentage of a single public issuer not guaranteed by the Government of Canada or a Canadian Province to be held by the Fund. A limit of 15% or less of the percentage of the Fund may be invested in mortgage-backed securities.

7.3 Quality shall be achieved in part by ensuring short term instruments have a weighted average credit rating of R-1 mid* or its equivalent and that the bond portfolio has a weighted average credit rating of A* or its equivalent. Short term instruments with a credit rating of R-2 low* and Bonds rated BBB* may be held within pooled funds to a maximum of 20% of the pooled Fund. All Fund equity investments shall trade on a recognized stock exchange or network and preferred stock must have an acceptable investment grade quality of P2*. Convertible debentures shall have a minimum credit rating of BBB* and are limited to 10% of the equity portfolio and 2.5% of the total portfolio. Equivalent credit ratings from any widely accepted credit rating agency, such as Standard and Poors Bond Rating Agency, are acceptable in addition to the one named.

(* Credit ratings issued by the Dominion Bond Rating Service.)

7.4 Bonds rated below BBB may be held within a pooled fund but they will be considered as part of the equity allocation due to the higher level of credit risk.

7.5 The Committee shall inform the Investment Counseling Firm on a regular basis with regard to the Funds liabilities and cash flow requirements. The Investment Counseling Firm shall ensure that the Fund is positioned to ensure that cash flow requirements are met and to broadly match the duration of Fund assets and liabilities.

8.0 Monitoring

8.1 The Investment Counseling Firm shall be required to provide a compliance report with its quarterly report indicating its compliance with all provisions of this Statement. In instances where the manager is not in compliance, a written explanation of the reasons for the non-compliance and a plan of action to rectify the situation shall be provided.

8.2 Each quarter the Investment Counseling Firm shall issue a written report to the Committee on the performance of the Fund. The report shall include information on the rates of return for the quarter and year to date. The Committee shall evaluate the performance, focusing on Fund objectives and long term expected return and risk parameters. The quarterly report shall include notification to the Committee of any changes within the Investment Counseling Firm affecting the ownership and composition of the investment teams.

8.3 The Investment Counseling Firm shall meet with the Committee at least semi-annually to:

- (i) provide information concerning new developments affecting the Investment Counseling Firm and its services;
- (ii) review the transactions in the latest period and the assets held at the end of the period and explain how they relate to the strategy advocated;
- (iii) explain the latest performances;
- (iv) be appraised of expected cash flow requirements;
- (v) provide an economic outlook along with an investment strategy under such circumstances; and
- (vi) any other relevant matters that may arise from time to time.

The proceedings of such meetings shall be recorded in writing and shall be presented to the Chair/Chief and the Board within three weeks of the meeting. The minutes shall be open to review by any TKC beneficiary and may be reviewed at the TKC business office in Whitehorse during normal business

hours. The Committee shall make an annual report to the General Assembly on the Funds performance.

- 8.4 While the primary focus of the Committee is the long-term investment performance of the portfolio, the Committee shall evaluate the performance of the Investment Counseling Firm over shorter periods. This short-term evaluation shall be made with references to the returns of the appropriate indexes through a constructed benchmark portfolio based on the target asset allocation. The Investment Counseling Firm will report quarterly on the value added to the benchmark portfolio over time frames of the current quarter, one-year and two-year and longer periods. Further reference shall be made to the median return of a recognized institutional universe, such as the Paltrak for Pooled Funds or SEI pension fund universe. These benchmark returns shall be provided by the Investments Counseling Firm.
- 8.5 If the Investment Counseling Firm fails to meet the benchmark return for four consecutive quarters, it shall be notified in writing that it shall be placed under review. If the Investment Counseling Firms performance related issues are not satisfactorily resolved during the subsequent three quarters, the Committee may recommend to the Chair/Chief and the Board that the Investment Counseling Firm should be reviewed and possibly terminated.
- 8.6 Should, at any time, concerns arise due to failure to meet minimum acceptable standards for service and communication, the Investment Counseling Firm shall be notified in writing that is under review for service considerations. The Committee shall develop a specific plan with the Investment Counseling Firm to rectify these service deficiencies. If these deficiencies have not been adequately resolved within four quarters, the Investment Counseling Firm shall be terminated.
- 8.7 The Fund may, in the future, have specific long-term liabilities established for it. If this occurs, an independent actuarial evaluation may be performed every three years while any long-term liabilities exist for the Fund. This evaluation shall assess the ability of the Fund to meet any longer term funding requirements that it may have.
- 8.8 An independent audit of the Fund shall be done every year. The audit shall, among other things, review Fund transactions and verify the market value of the Fund at the end of the latest two-year period. The audit report shall be reviewed when practical by the Committee, the Chair/Chief and the Board. The Committee shall present the audit report to the General Assembly.

9.0 DEFINITIONS

The following definitions apply throughout this Statement

“actuarial evaluation” means an actuary who reviews the TKC citizens’ birth rate, death rate, average age, etc., in order to determine how much programs will cost in the future;

“asset allocation” means deciding how much of the Fund should be put into bonds and how much into stocks;

“audit” means a professional accountant who looks over the transactions that take place to ensure that they are done correctly;

“balanced portfolio” means a portfolio of investments that includes short term securities, bonds and equities;

“bankers acceptances” means a security issued by a bank that says the bank promises to pay a certain amount of money after a certain time period;

“bond” means a security issued by a company or a government that says the company or government promises to pay interest every six months to the bond holder and pay back the face value of the bond when it matures;

“bond credit ratings” means bonds that are rated for credit quality to give investors a gauge of how creditworthy the issuer (borrower) is and, consequently, how likely they are to meet the interest payments and repay the bond at maturity, the ratings of which begin at “AAA” for the Government of Canada, representing the best credit quality, and decline through “AA”, “A” and “BBB”, considered “investment grade”, and to “BB” and lower, the latter which are not considered investment grade and are known as “high yield bonds” or “junk bonds”;

“Chair” in this Statement, means the Acting Chairperson of TKC until such time when a Chief is elected in accordance with *Constitution of the Ta’an Kwäch’än Council*;

“Chief” in this Statement, means the Chief of TKC elected in accordance with the *Constitution of the Ta’an Kwäch’än Council*;

“compensation fund” means financial compensation pursuant to Chapter 19, Financial Compensation, and includes Appendix C, Memorandum Regarding Certain Financial Arrangements, of the Ta’an Kwäch’än Council Final Agreement;

“commercial paper” means a security issued by a company that says the company will pay back a certain amount of money after a certain period of time;

“conflict of interest” means a person or group who cannot decide whose interest they are acting upon and that they may therefore be in a conflict of interest situation;

“convertible debenture” means a type of debenture that is convertible into equity at a fixed ratio at some time in the future;

“correlated” means investments that are correlated and will have similar return profiles;

“custodian” means a firm that holds securities in safekeeping for TKC;

“debenture” means a type of fixed income security or bond that pays annual interest and promises to repay the capital amount at a specific date in the future;

“demand/term deposits” means money put in the bank and returned after a certain period of time, and which are sometimes also referred to as a Guaranteed Income Certificate, or GIC;

“derivatives” means a security whose value depends on the value of other securities or financial data;

“diversification” means buying several different types of assets to reduce the risk of one asset doing badly and hurting the entire portfolio’s performance;

“economic development fund” means the Strategic Economic Development Investment Fund pursuant to Chapter 22, Economic Development Measures, Schedule A, Economic Measures, Part I – Specific Economic Measures, of the Ta’an Kwäch’än Council Final Agreement;

“fiduciaries” means people or organizations that have a legal responsibility to put the interest of the TKC beneficiaries and the Fund before their own, and which include the Chair/Chief, Board, Committee, TKC employees, agents, advisors and professionals providing services to the Fund;

“foreign equities” means stocks of companies that are not Canadian companies;

“funding policy” means the amount of money, and the method of calculation of the amount, that can be withdrawn from the Fund for spending while ensuring the objective of maintaining and growing the inflation adjusted value of the Fund;

“industry sectors” means individual businesses grouped together into sectors that reflect industries and that have similar influences and impacts on broad economic trends;

“inflation” means a rise in the general level of prices, normally expressed as a percentage and reported as CPI (Consumer Price Index);

“Investment Counseling Firm” means a firm registered as Investment Council/Portfolio Manager with the appropriate Canadian Provincial or Territorial securities commission;

“liquidity” means that the quicker an asset can be sold for cash the more liquid it is, with cash being the most liquid of all assets;

“long-term” in investment terms means a period in excess of ten years, with the time horizon of the Fund always being long term since it is the intent that the Fund will continue to exist for as long as TKC exists;

“mortgage backed securities” means a security issued by a bank that pays interest and principal on a certain date, with the security backed up by a group of mortgages that the bank groups together;

“operations surplus fund” means excess TKC funds not currently required for the TKC operations;

“portfolio” means a collection of stocks, bonds and other investments;

“private placement” means a stock or bond that is purchased directly from the issuer of the stock or bond, with the transaction not being a public issue traded through a public market;

“public issue” means any stock that is traded through a stock market;

“rate of return” means the amount of money (in per cent) that the Fund makes in a given period;

“real rate of return” means the amount of money (in per cent) that the Fund makes in a given period after inflation is deducted—for example, if the rate of return for the year is 10% and inflation for the year is 2%, the real rate of return is $10\% - 2\% = 8\%$;

“rolling five-year period” means an average of five years and when each year a new year is added the year first is dropped off—for example, in 1997, the five-year rolling return would be an average of the returns from 1993, 1994, 1995, 1996, and 1997, and in 1998, the five-year rolling return would be an average of the returns from 1994, 1995, 1996, 1997 and 1998.

“securities” means the general terms for stocks, bonds, and other assets that TKC will hold in its portfolio;

“service deficiencies” means that when the investment is not providing all the information that TKC needs about its investments there is a service deficiency—service deficiencies can also occur when information is provided in a manner that is difficult or impossible for the Committee to understand or when communication at the semi-annual community meetings and workshops is ineffective;

“short term note” means a piece of paper a company issues as a promise to pay back money with interest after a certain period of time;

“stocks/equities” means a security that says the holder owns part of the company that issued the stock;

“taxation fund” means taxation pursuant to Chapter 20, Taxation, of the Ta’an Kwäch’än Council Final Agreement;

“Traditional Family” means Traditional Family pursuant to the *Constitution of the Ta’an Kwäch’än Council*;

“transition fund” means monies received from Canada for the settlement of issues with regard to Ta’an Kwäch’än amalgamation, separation and transition to an *Indian Act* Band and self-governing First Nation; and

“treasury bills” means a security issued by the Government of Canada that says it will pay a certain amount of money after a certain period of time, not exceeding one year.