



PHILLIPS, HAGER & NORTH
Investment Management®

Presentation to Cowessess First Nation

October 1, 2018

Presented by:

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Global Asset
Management



Introduction

- **Who we are**

- Phillips, Hager & North Investment Management (PH&N IM) is a division of RBC Global Asset Management Inc. (a division of RBC)
- Institutional Investment Management
- Global Investment Opportunities & Capabilities
- Aboriginal Services Team

- **What we do**

- Focus on Aboriginal clients
 - 26 clients, \$1 billion under management throughout Canada.
- Work with clients/their advisors to implement their investment plans

- **Our Aboriginal Services Group team**

- Gord (Fort William First Nation) works with other Portfolio Managers for both existing and potential clients
- Client-facing Portfolio Managers - client relationship focus

Focus: Investment Excellence and Client Service

A Typical Settlement Structure



1. Settlement money were transferred into the Trust and became Trust property
2. Trust property is administered according to a governing Trust Document/Deed and invested according to an approved Investment Policy Statement
3. Investment income, subtracting structure management expenses, is paid to the First Nation who can use the income for specific purposes

Investment portfolio components

What is a Balanced Portfolio?

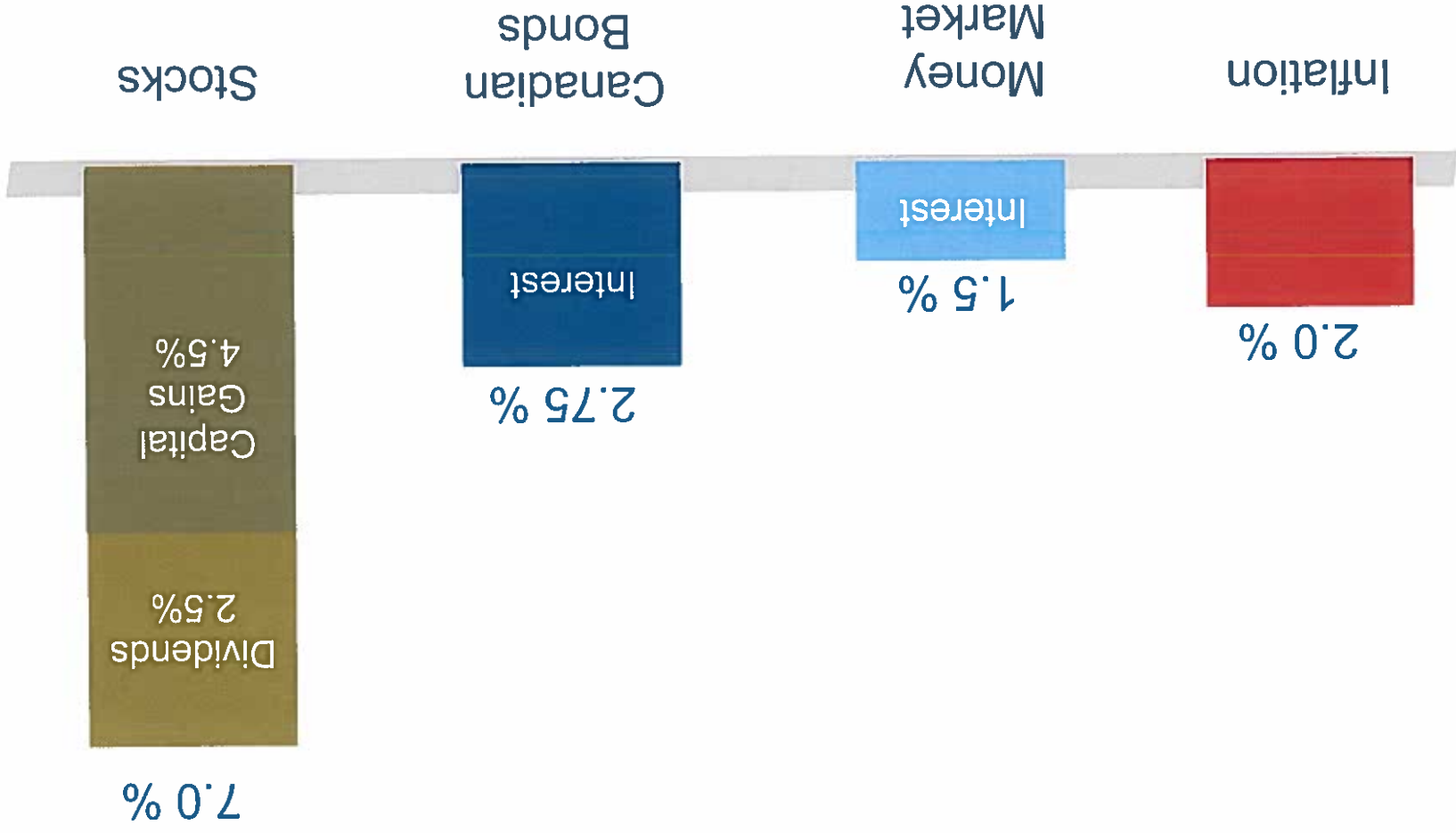
A portfolio that combines bonds, stocks and cash in a single comprehensive investment strategy.

Why Invest in a Balanced Portfolio?

Leverages an investment manager's skill and expertise to design, manage and monitor an all encompassing portfolio with the objective of maximizing risk adjusted returns.

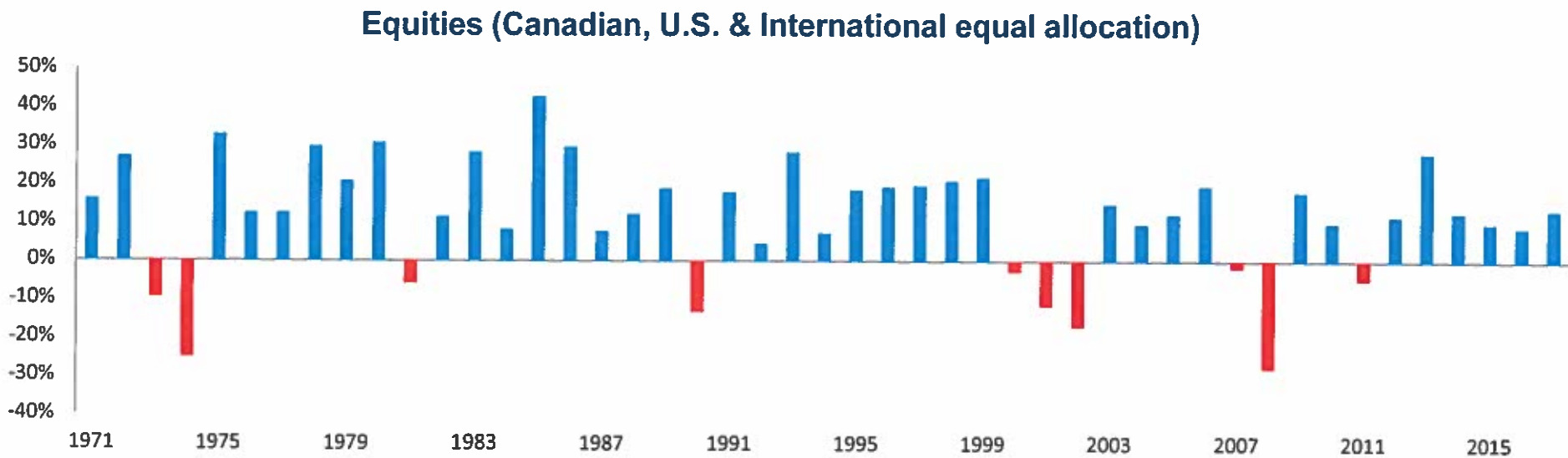
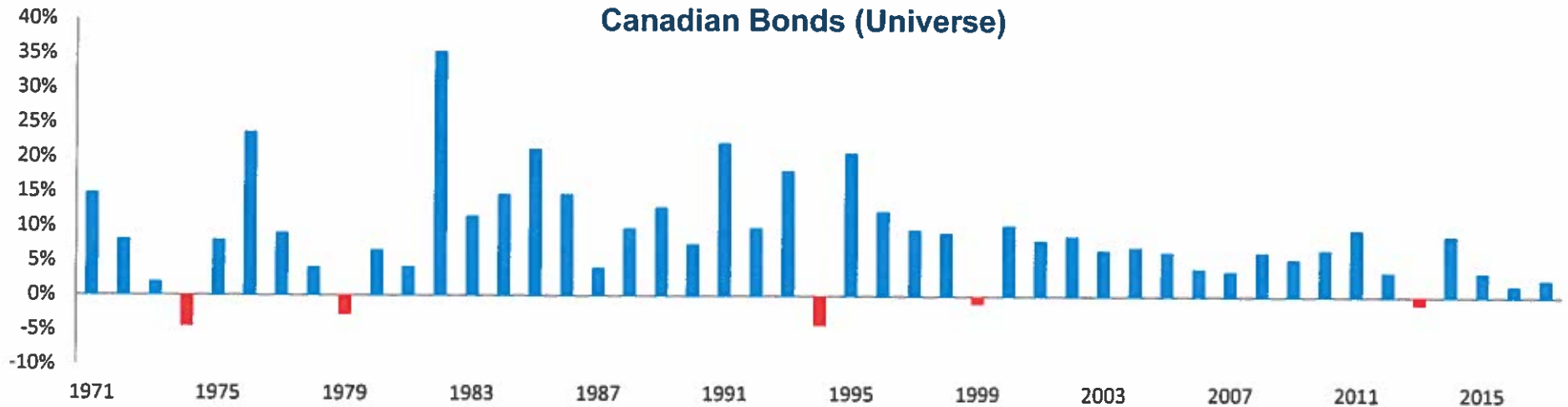
Balanced Portfolio Components	Description
Cash (Money Market) Component	A natural volatility buffer and held to pay for account expenses
Bonds (Fixed Income) Component	Provides income and stability
Stocks (Equity) Component	Provides income and the opportunity to achieve capital gains

Estimates of Future Returns



These are only estimates and are for illustrative purposes only. Actual future returns may differ significantly from these.

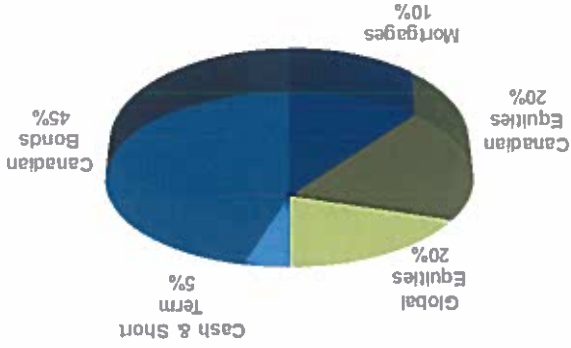
Historic Investment Returns: 1971 to 2017



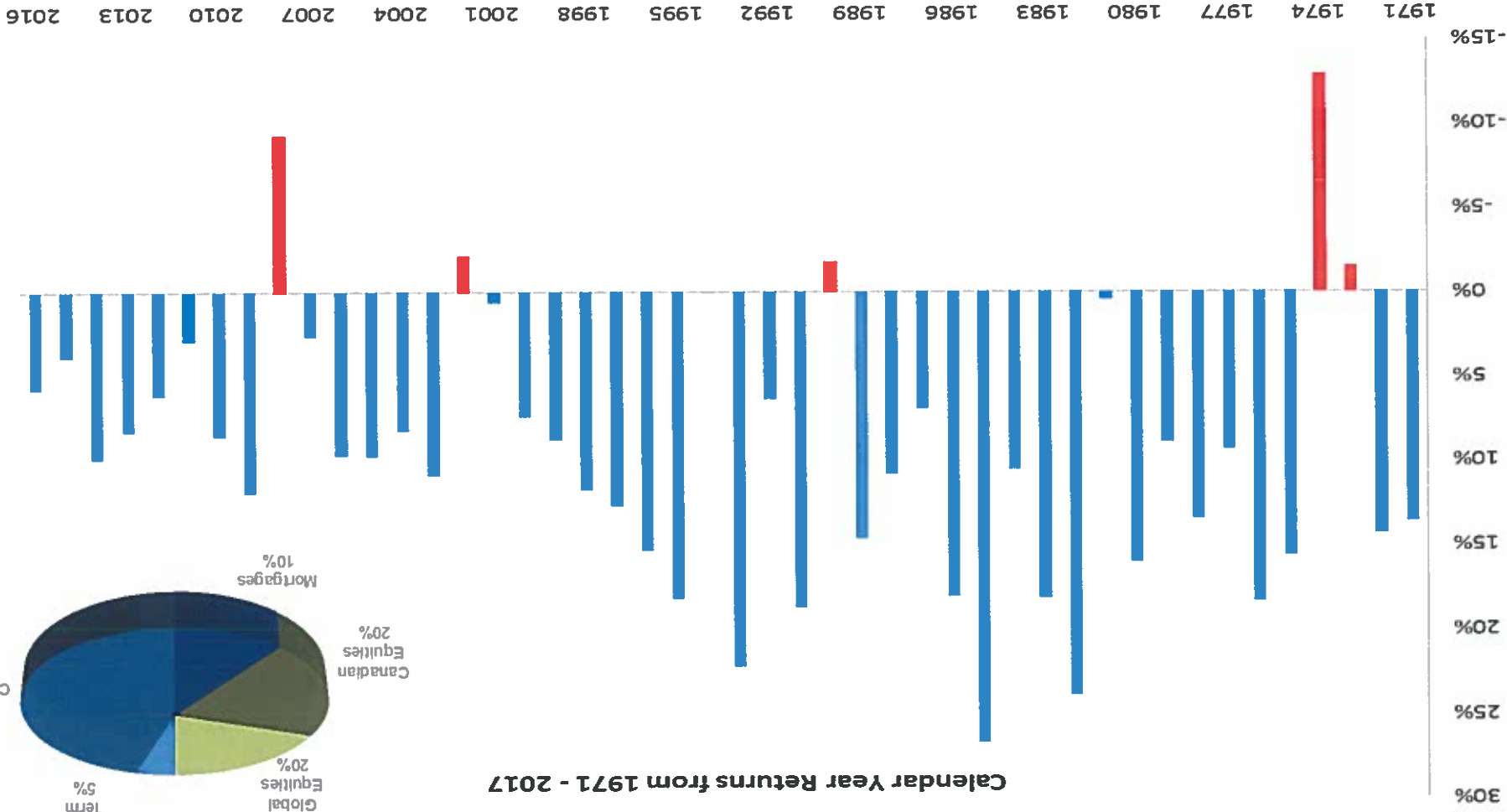
Historic returns based on representative indices: Canadian Bonds (Universe) FTSE TMX Canada Universe Bond Index; Equities: 33% S&P 500 Index (Cdn\$), 34% S&P/TSX Composite Index, 33% MSCI EAFE Net Index (Cdn\$), Source: PH&N IM internal benchmarking calculator

Historic returns for your asset mix

5% Cash; 55% Bonds; 40% Stocks/equities



Calendar Year Returns from 1971 - 2017



* Expected average annual returns are based on PH&N IM estimated returns for different asset classes.
 ** Historic returns based on above asset mix applied to the following indices: S&P/TSX Composite Index, MSCI World Net Index, (Cdn\$) TMX Canada Universe Bond Index and TMX Canada 30 Day T-Bill Index for cash.
 *** This example is for illustrative purposes only and is not intended to be representative of the performance of any actual or future investment.

Cowessess First Nation Flood Claim Trust

Investment Strategy: "...reasonably conservative..."

- **Cash/Cashable Investments – 5%**
 - Held for distributions and expenses

- **Bonds – 55%**
 - Multiple Strategies in the PH&N Enhanced Total Return Bond Fund
 - Use of mortgages - 10% of the portfolio

- **Canadian Stocks – 20%**
 - PH&N Canadian Equity Value Fund

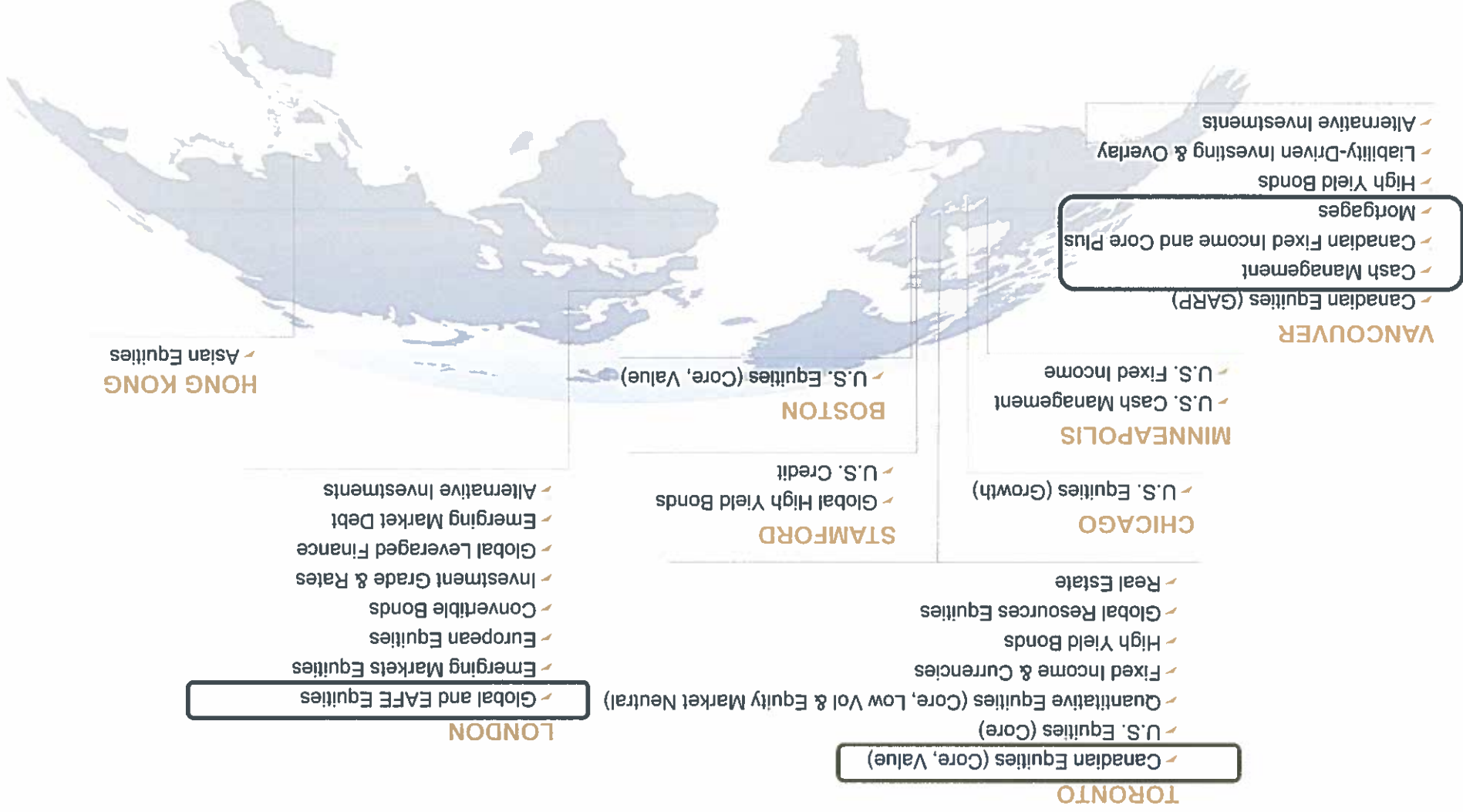
- **Global Stocks – 20%**
 - RBC Global Equity Focus Fund – 10%
 - RBC QUBE Low-Volatility Global Equity Fund – 10%



These and other investment related details are written in the...

[Cowessess First Nation Flood Claim Trust Investment Policy Statement.](#)

Institutional Investment Capabilities

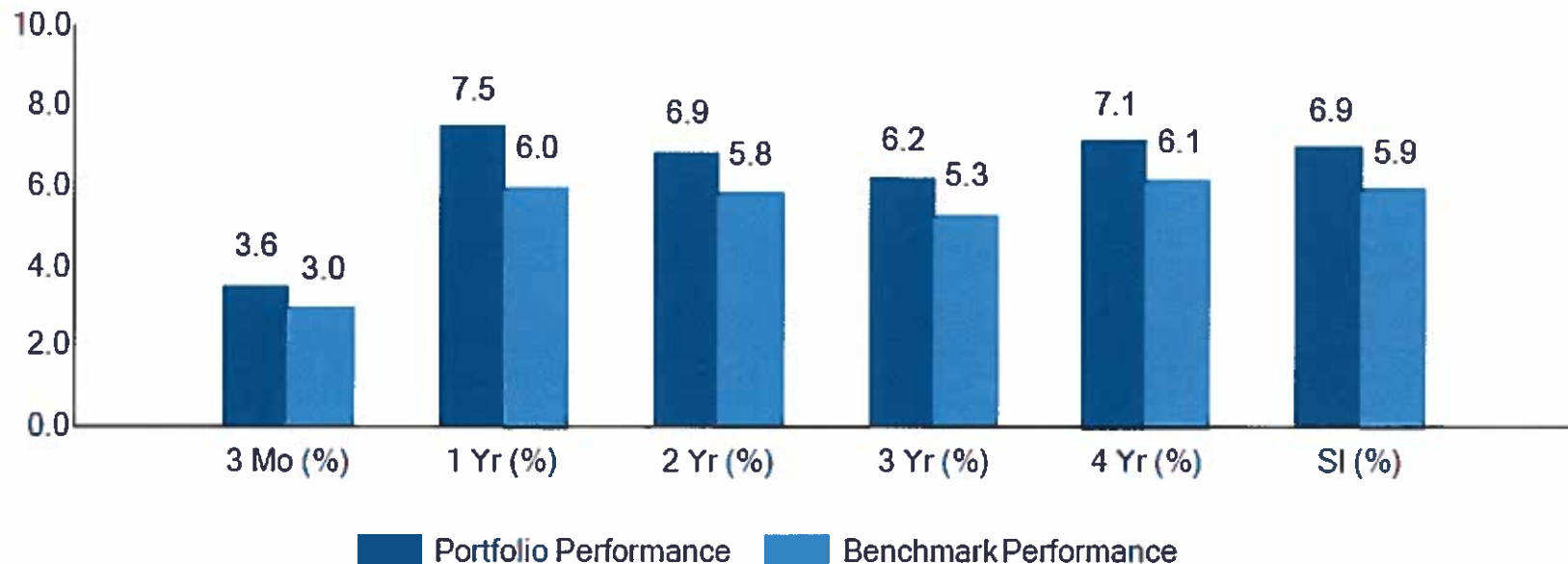


The availability of these strategies may vary by jurisdiction

Cowessess Flood Claim Trust* Returns vs Benchmark

Returns to December 31, 2017

Returns & Performance as at December 31, 2017 (Cowessess First Nation Flood Claim Trust)



Portfolio Performance: Represents the performance of your investments.

*Serious O, gross of fee returns

Cowessess Trust Performance/Gains as of December 31, 2017

Summary of Assets

As of December 31, 2017			
Market Value (\$)	Net Contributions (\$)	Gain (Loss) (\$)	Since Inception
11,498,925	8,239,573	3,259,352	Cowessess First Nation Flood Claim Trust
11,498,925	8,239,573	3,259,352	Total

Market Value: Represents the value of all the investments held inside the portfolio at the date of the report.

Net Contributions: Original amount of funds invested plus all the additional contributions less all withdrawals.

Gain/(Loss): Increase or decrease in market value of assets from investment returns (market value minus net contributions).

Account Performance

Performance Comparison as of December 31, 2017	3 Mo (%)	1 Yr (%)	2 Yr (%)	3 Yr (%)	4 Yr (%)	SI (%)
Cowessess First Nation Flood Claim Trust	3.55	7.52	6.86	6.22	7.14	6.94
Benchmark*	2.96	5.95	5.83	5.27	6.14	5.94
Difference	+0.59	+1.57	+1.03	+0.95	+1.00	+1.00

Inception date: June 14, 2013

* Current benchmark as at December 29, 2017: 45% FTSE TMX Canada Universe Bond Index; 5% FTSE TMX Canada 91 Day T Bill Index, 10% FTSE TMX Canada Short Term Overall Bond Index, 20% S&P/TSX Composite Index, 20% MSCI World Total

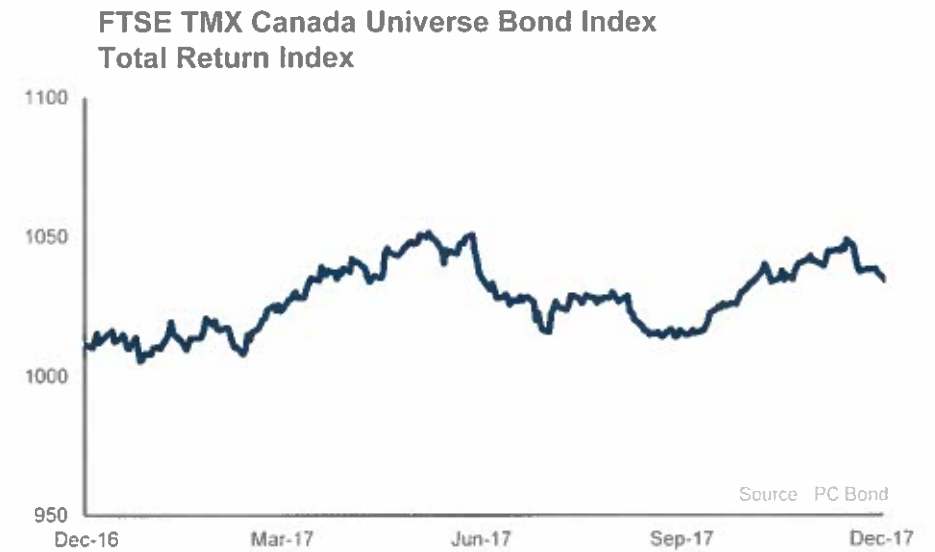
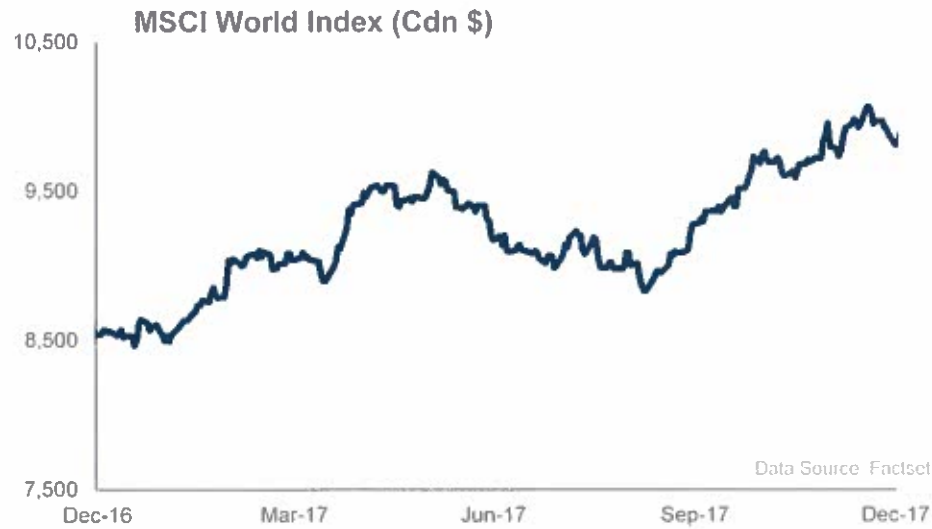
Return Net Index (C\$)

Benchmark as at March 31, 2014: 45% FTSE TMX Canada Universe Bond Index; 5% FTSE TMX Canada 91 Day T Bill Index, 10% FTSE TMX Canada Short Term Overall Bond Index, 20% S&P/TSX Composite Index, 10% S&P 500 Index (C\$); 10% MSCI EAFE Index (C\$)

Total returns are gross-of-fee and reported in Canadian dollars.

Capital Markets Update

As of December 31, 2017



Note: All indices shown are total return in Canadian dollars

PH&N Fund Investment Results

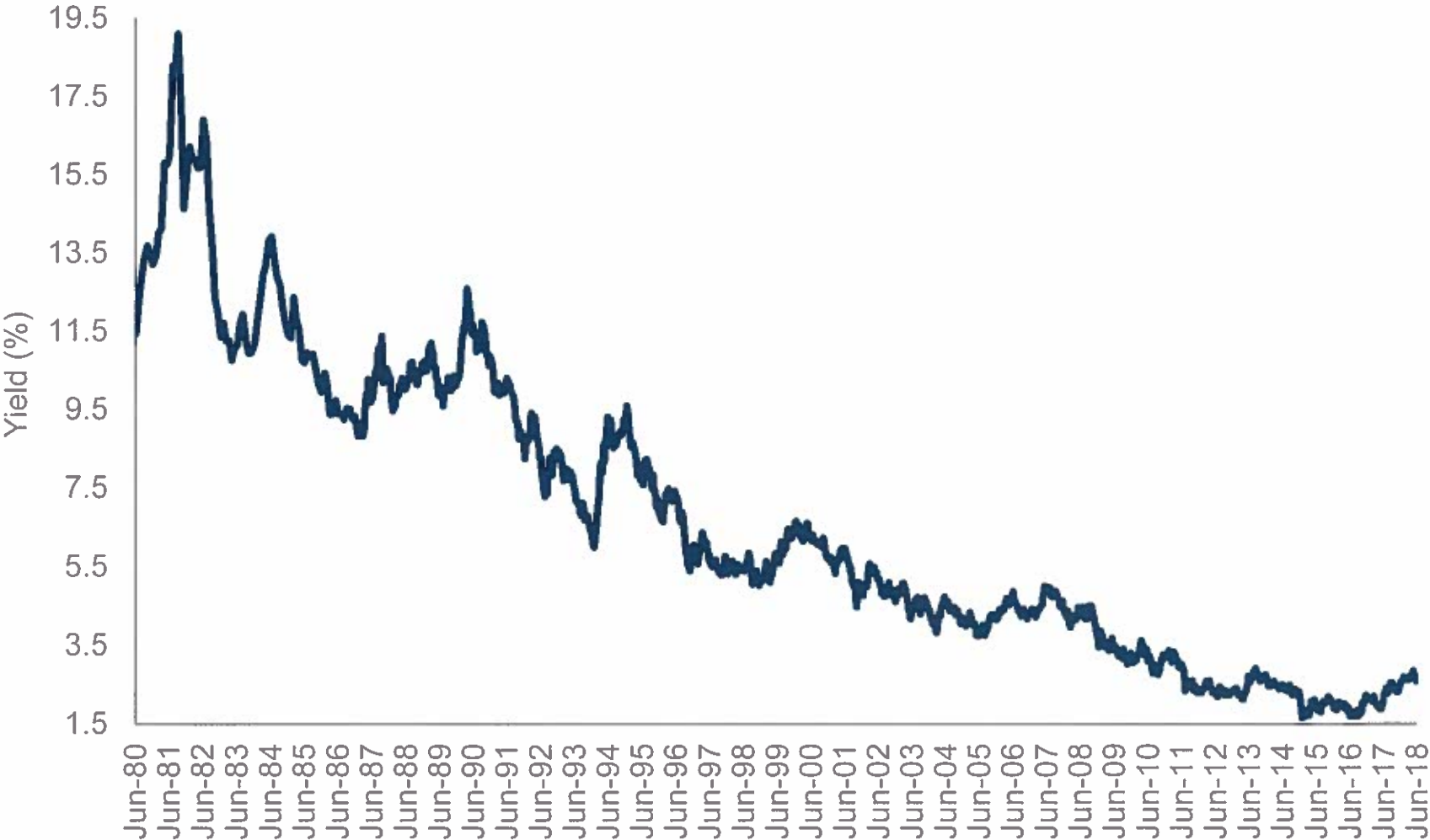
as of December 31, 2017

Performance of Individual Investments Held in Your Portfolio (Versus their market indices) at December 31, 2017

Fund	Inception Date	3 Mo (%)	1 Yr (%)	3 Yr (%)	4 Yr (%)	5 Yr (%)	10 Yr (%)	Inception (%)
PH&N Canadian Money Market Fund	2002-10-31	0.34	1.08	0.98	1.04	1.07	1.31	2.00
Difference		+0.13	+0.45	+0.42	+0.40	+0.37	+0.44	+0.36
FTSE TMX Canada 30 Day TBill Index		0.21	0.63	0.56	0.64	0.70	0.87	1.64
PH&N Enhanced Total Return Bond Fund	2008-03-31	2.11	2.91	3.25	4.74	3.73	-	5.19
Difference		+0.09	+0.39	+0.69	+0.65	+0.72	-	+0.71
FTSE TMX Canada Universe Bond Index		2.02	2.52	2.56	4.09	3.01	-	4.48
PH&N Mortgage Pension Trust	2001-11-30	0.93	2.37	2.73	3.56	3.37	4.56	5.03
Difference		+0.65	+2.29	+1.50	+1.88	+1.67	+1.40	+1.39
FTSE TMX Canada Short Term Overall Bond Index		0.28	0.08	1.23	1.68	1.70	3.16	3.64
PH&N Canadian Equity Value Fund	2009-12-31	4.38	9.31	7.87	9.27	10.58	-	9.87
Difference		-0.07	+0.21	+1.28	+1.70	+1.95	-	+2.69
S&P/TSX Capped Composite Index		4.45	9.10	6.59	7.57	8.63	-	7.18
RBC QUBE Low Volatility Global Equity Fund (CAD)	2013-01-18	4.37	11.46	12.59	15.02	-	-	16.95
Difference		-1.33	-2.90	+0.43	+2.30	-	-	+0.70
MSCI World Net Index CS		5.70	14.36	12.16	12.72	-	-	16.25
RBC Global Equity Focus Fund (CAD)	2014-04-28	8.57	26.73	16.92	-	-	-	17.55
Difference		5.70	14.36	12.16	-	-	-	12.36
MSCI World Net Index CS		2.87	+12.37	+4.76	-	-	-	+5.19

All fund units are Series O unless otherwise stated in the name of the fund.
Total returns are gross-of-fee and reported in Canadian dollars.

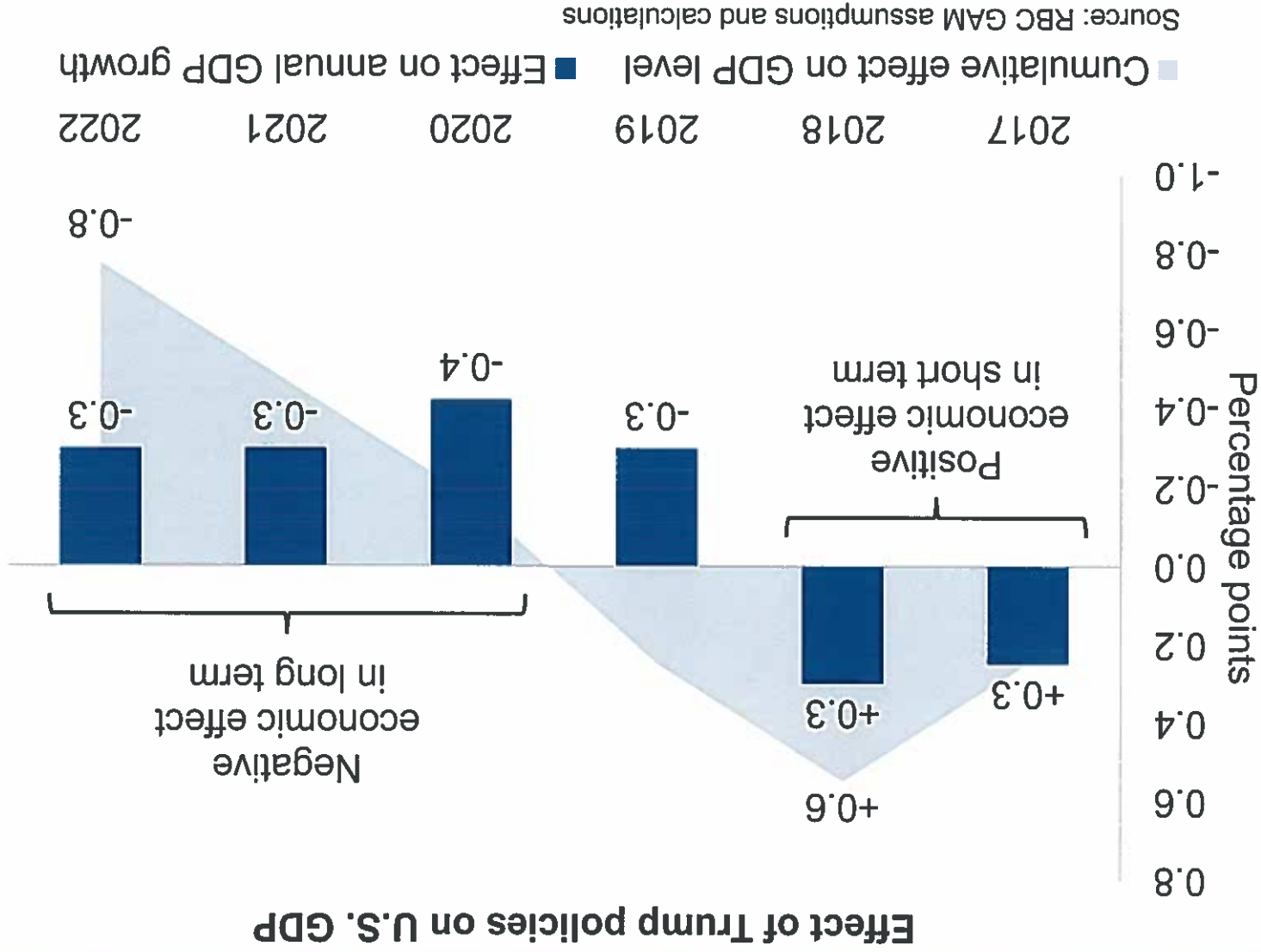
FTSE TMX Canada Universe Bond Index Yields



Source: FTSE TMX Global Debt Capital Markets Inc.

Source: vclsc index ylds NEW (univ 3) 6/30/18

Trump economic effect: short term boost, long term drag



Portfolio Adjustments – 4th Qtr 2017

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Typical Investment Considerations

1. Safety of Principal
2. Income
3. Growth of Capital
4. Liquidity
5. Tax Minimization
6. Diversification



Risk-Reward Relationship of Candidate Portfolios

Summary Statistics¹

	Current	Ptf 1	Ptf 2	Ptf 3	Ptf 4
Annualized Expected Return (Asset Class)	4.7%	4.8%	4.8%	4.7%	4.6%
Expected Contribution from Active Management ²	<u>0.6%</u>	<u>0.6%</u>	<u>0.7%</u>	<u>0.6%</u>	<u>0.5%</u>
Total Expected Return	5.3%	5.3%	5.5%	5.3%	5.1%
Volatility	6.4%	6.3%	6.3%	5.8%	5.4%
Downside Risk ³	-13.2%	-13.0%	-13.0%	-11.1%	-9.3%
Cash	5%	5%	5%	5%	5%
Mortgages	10%	10%	10%	10%	10%
Canadian Equities	20%	20%	20%	20%	20%
U.S. Equities	10%	10%	0%	0%	0%
International Equities	10%	10%	0%	0%	0%
Global Equities	0%	0%	20%	10%	0%
Global Low Volatility Equities	0%	0%	0%	10%	20%
Total Return Bond Fund	45%	0%	0%	0%	0%
Enhanced Total Return Bond Fund	0%	45%	45%	45%	45%

¹ Refer to appendix for asset allocation and assumption disclosures

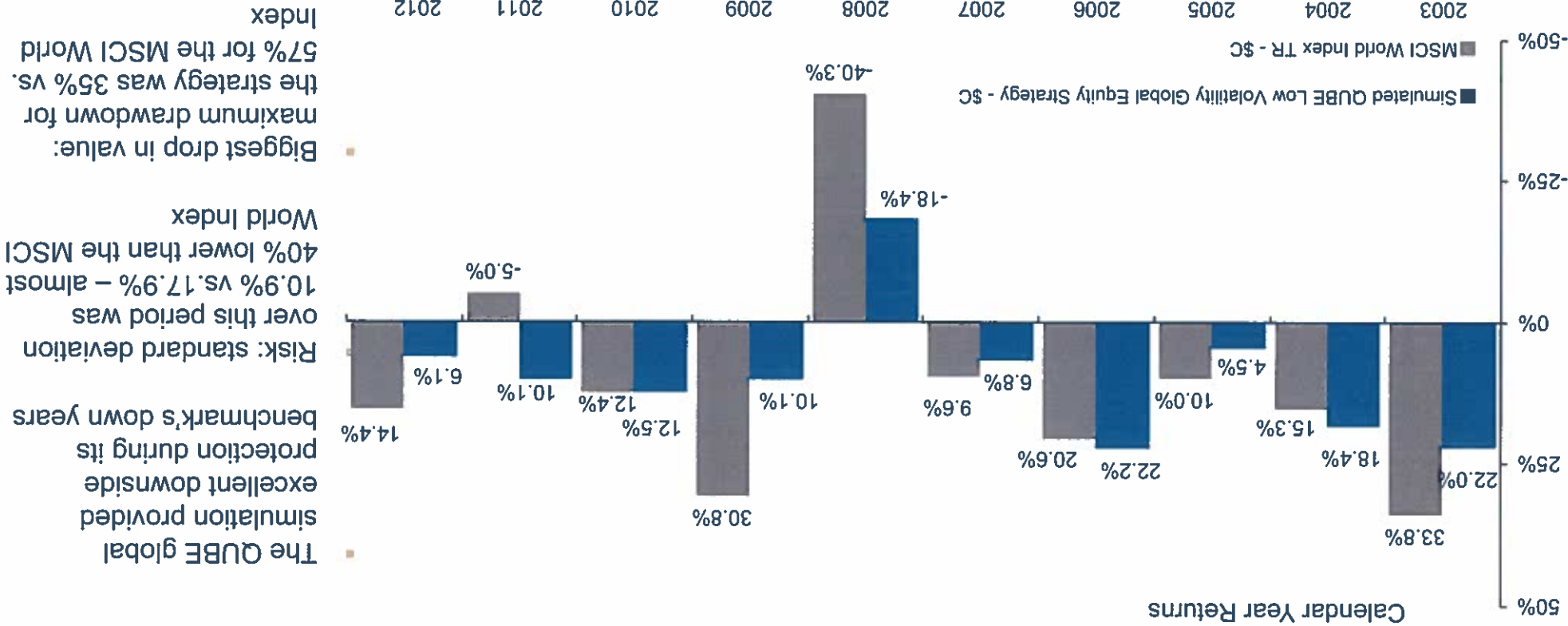
² Gross of investment management fees

³ CVaR95 which represents the expected loss during the worst 5% of return outcomes

Low Volatility in Action

Simulated QUBE Low Volatility Global Equity Strategy Performance

Simulated QUBE Low Vol Global Equity vs. MSCI World Index



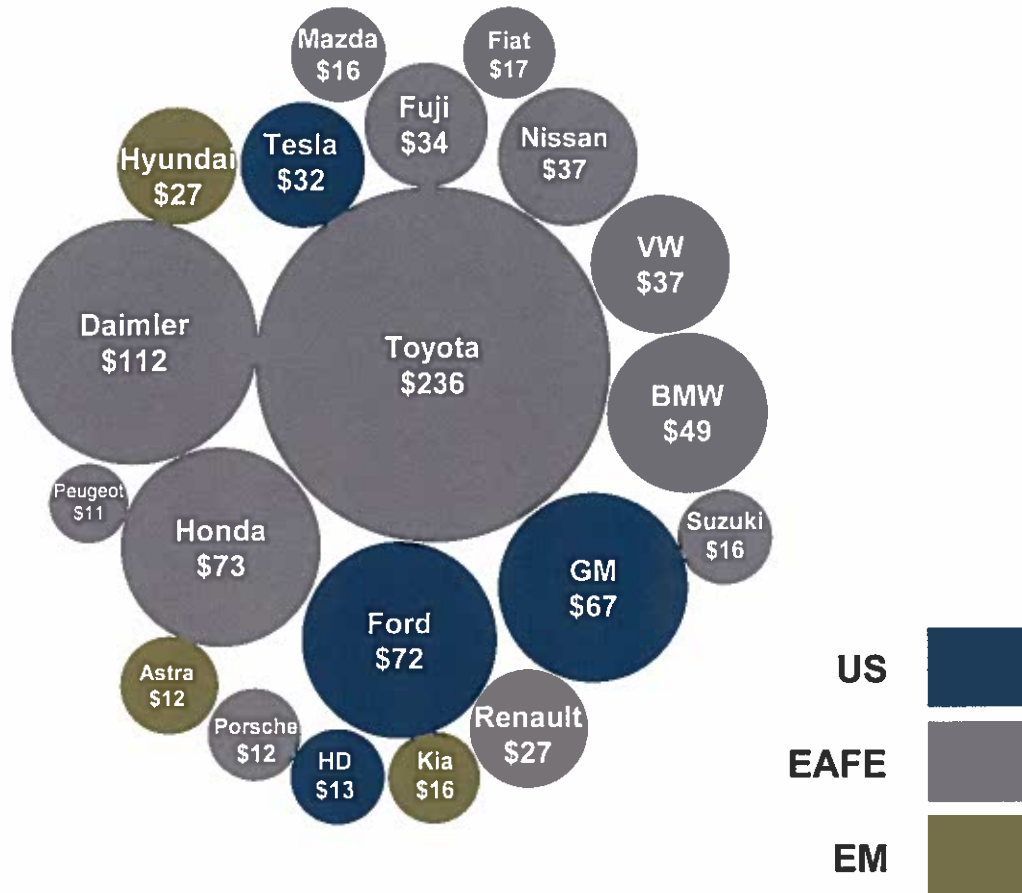
- The QUBE global simulation provided excellent downside protection during its benchmark's down years
- Risk: standard deviation over this period was 10.9% vs. 17.9% – almost 40% lower than the MSCI World Index
- Biggest drop in value: 57% for the MSCI World Index

This illustration is based on simulated historical returns. Please see slide titled Disclosures regarding simulated performance history for more information. This information is presented as supplemental to the GIPS® Performance Presentation & Disclosures appendix to these materials. Please see the appendix for composite performance data. Source: RBC GAM

Why Global Instead of Regional?

Expanded Opportunity Set Increases Added Value Potential

Automobile Industry Top 20 Companies



Values in billions CAD

Source: RBC GAM, MSCI. As of December 31, 2015

Global Approach:

- Broader opportunity set
- Ability to add value through geography

Regional Approach:

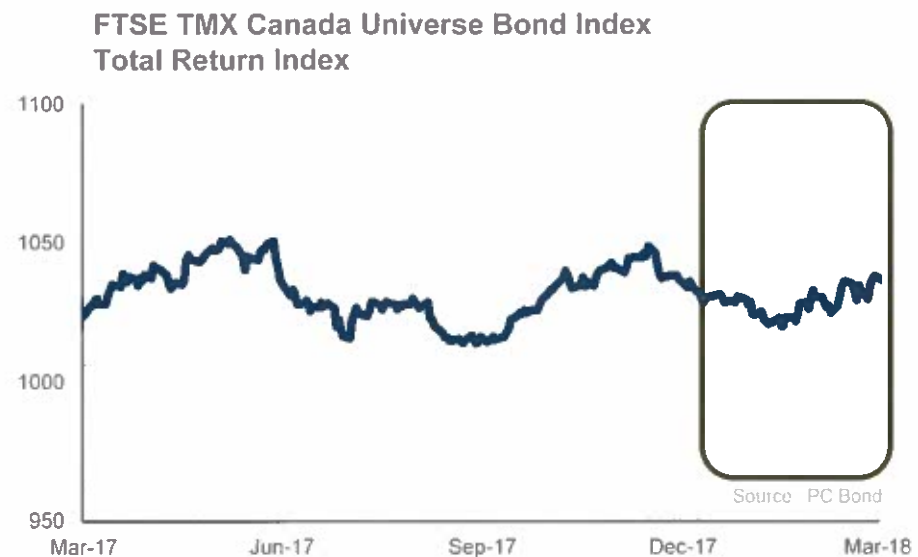
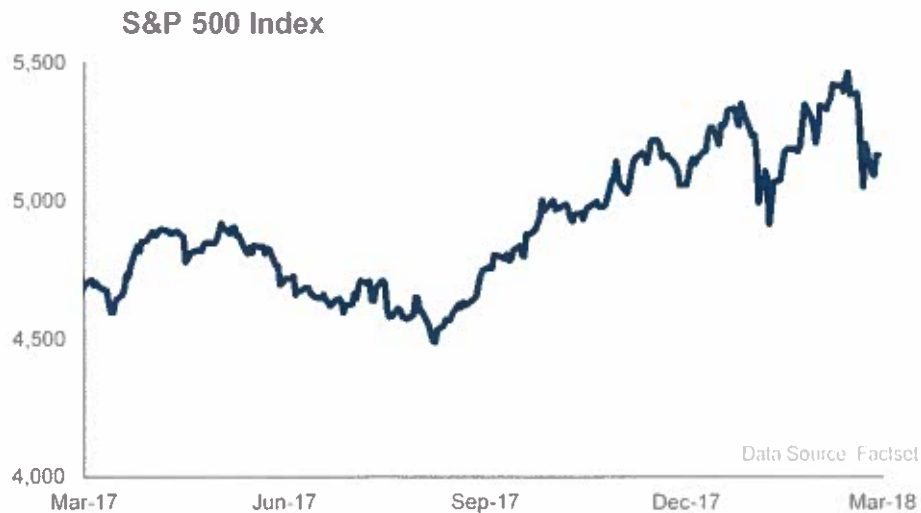
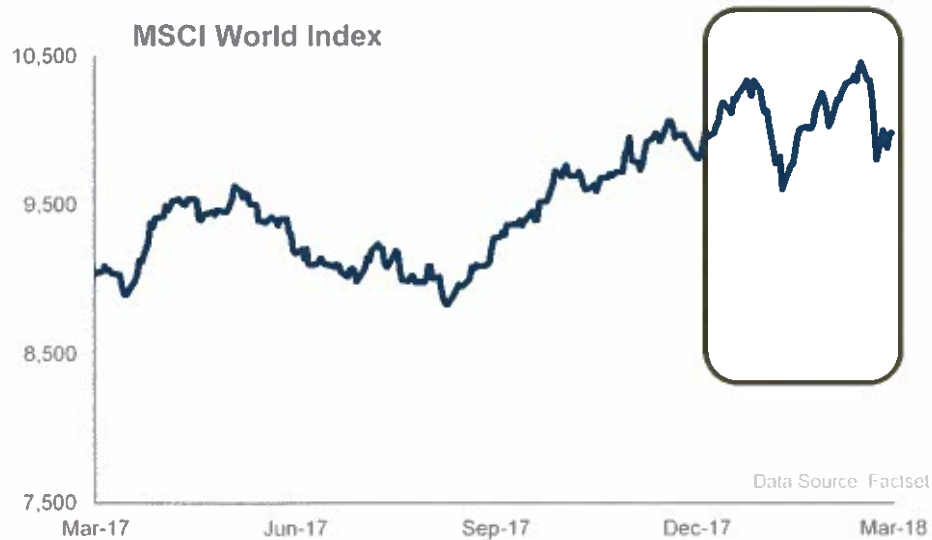
- Reduced breadth limits selection
- Some regional markets are more efficient

Market Developments – 1st Qtr 2018

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Capital Markets Update

As of March 31, 2018



Note: All indices shown are total return in Canadian dollars

PH&N Canadian Equity Value Fund

Investment Performance as at March 31, 2018

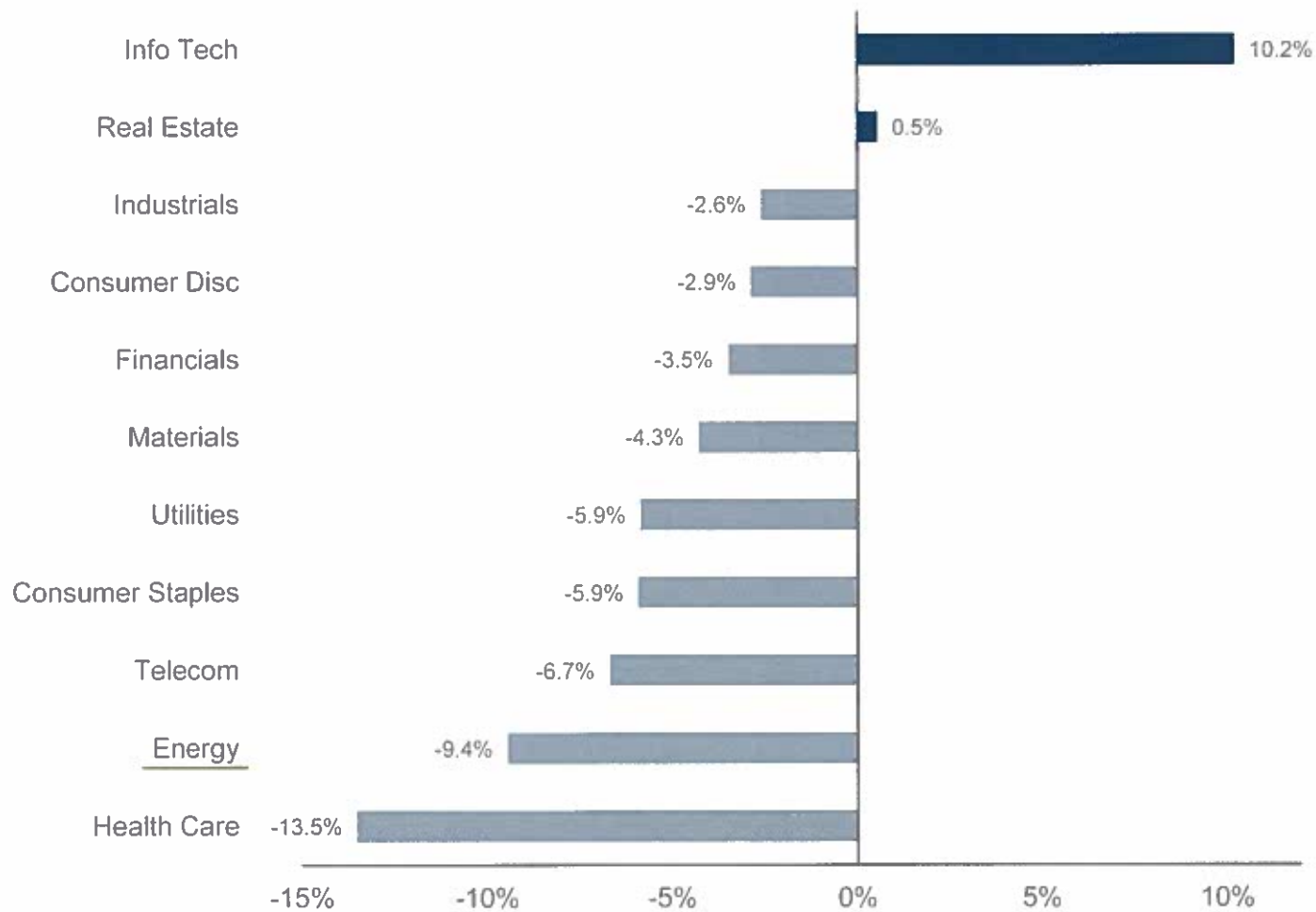
Annualized Returns*	QTD (%)	One Year (%)	Two Year (%)	Three Year (%)	Four Year (%)	Five Year (%)	Seven Year (%)	Since Inception** (%)
PH&N Canadian Equity Value Fund	-4.33	2.43	9.71	5.87	6.70	8.73	7.02	8.97
S&P/TSX Capped Composite Index	-4.52	1.71	9.84	4.07	4.78	6.93	4.25	6.35
Difference	+0.19	+0.72	-0.13	+1.80	+1.92	+1.80	+2.77	+2.62

* Series O returns. Total returns are gross-of-fee and reported in Canadian dollars
 ** Inception date : December 31, 2009
 Performance information presented on an annualized basis for periods longer than 1-year
 Numbers may not add up due to rounding
 Source: RBC GAM

Canadian Equity Market Performance

Three Months Ended March 31, 2018

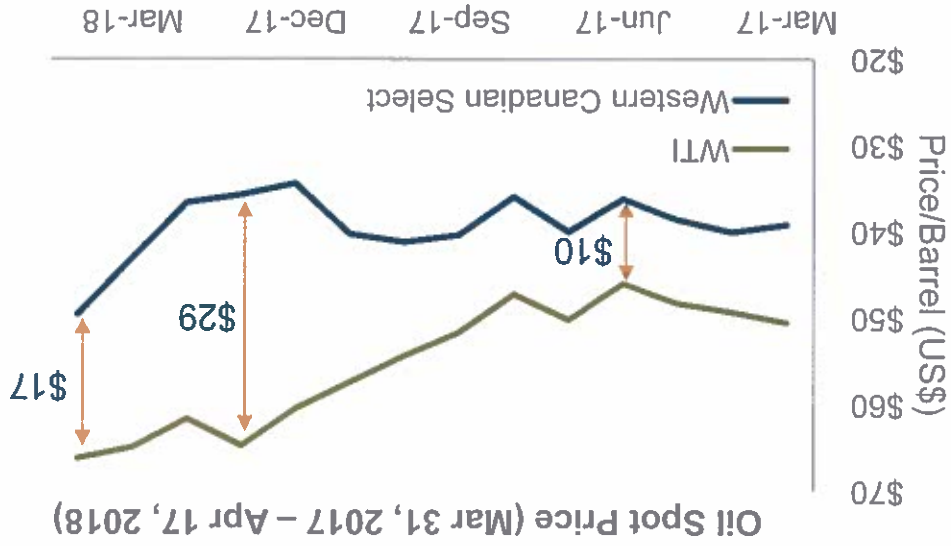
Performance of S&P/TSX Capped Composite Index Industry Sectors



Source: RBC GAM Performance

Widening Price Differentials Weighing on Energy Sector

Canadian Producers Affected the Most



- Infrastructure bottlenecks causing price differentials to widen
- Pipeline constraints, rail capacity
- Glut of oil in Western Canada affecting producers

- Normalization expected, though timing remains uncertain
- Improved demand helping oversupply; transportation bottlenecks remain

Source: Factset

Presentation Summary

- **Recent events**

- Political events have impacted global economic growth expectations
- Interest rates have been rising over the 12 months

- **Longer-term effects**

- Bonds are unlikely to perform well in a rising interest rate environment
- Uncertainty increased re certain economic trends (globalization, free trade, etc.)

- **Summary**

- Account has outperformed the benchmark of the account
- Changes to investment funds occurred in late 2017
- Asset mix of portfolio remains 'conservative'
 - Mix of stability, income and growth characteristics

- **Questions/Comments?**

Appendix

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Assumptions and Disclosures

Capital Market Assumptions

Correlations

	Cash	Mortgages	Canadian Equities	U.S. Equities	International Equities	Global Equities	Global Low Volatility Equities	Total Return Bond Fund	Enhanced Total Return Bond Fund
Cash	1.0								
Mortgages	0.2	1.0							
Canadian Equities	-0.1	-0.2	1.0						
U.S. Equities	-0.2	-0.1	0.6	1.0					
International Equities	-0.1	0.0	0.6	0.7	1.0				
Global Equities	-0.2	0.0	0.6	0.9	0.9	1.0			
Global Low Volatility Equities	-0.1	0.3	0.3	0.7	0.7	0.8	1.0		
Total Return Bond Fund	0.1	0.8	0.1	0.0	0.2	0.1	0.3	1.0	
Enhanced Total Return Bond Fund	0.1	0.8	0.1	0.0	0.2	0.1	0.3	1.0	1.0

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