

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

QAMÆS ʔΘMS TALA SETTLEMENT TRUST

Economic Development Fund

December 2016

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1. INTRODUCTION

The Qames ʔams tala Settlement Trust (the “Trust”) was created by the Tla’amin Government as per Section 87 of the Constitution of the Tla’amin Nation (the “Constitution”) to preserve and protect the Tla’amin capital transfer and amounts received under the Resource Revenue Sharing Chapter of the Tla’amin Final Agreement and the income derived from the investment of those amounts. The Trust was established pursuant to the terms of a trust deed dated April 5, 2016 (the “Trust Deed”) between the Tla’amin Nation as represented by the Tla’amin Government (the “Settlor”), the Initial Trustees, and the Guardian.

The purpose of the Economic Development Fund is to allow for the pursuit and generation of economic opportunities for the Beneficiaries. The Economic Development Fund is not intended to be preserved and maintained for the future benefit of the Tla’amin Nation and is not subject to the capital disbursement limitations of the rest of the Settlement Trust’s property.

The Trustees will hold the assets of the Economic Development Fund (the “EDF Property”) in trust in accordance with the Trust Deed.

2. PURPOSE

This Statement of Investment Policies and Procedures (the “Policy”) reflects the investment policies, objectives and constraints for the management and oversight of the EDF Property of the Economic Development Fund, and is set forth in order to:

- a) Define and assign the delegated authorities and responsibilities of all involved parties;
- b) Establish a clear understanding of the investment goals and risk management objectives for investing the EDF Property;
- c) Offer guidance and assistance to the Investment Manager(s) regarding the investment of the EDF Property;
- d) Establish a basis for evaluating the EDF Property’s performance and results relative to established total fund and asset class benchmarks;
- e) Outline the philosophy and attitude that will guide the Trustees and Investment Manager(s) towards the desired results; and
- f) Manage the EDF Property according to prudent standards as established in common trust law.

The policy is subject to the provisions of the Trust Deed and in the event of a conflict or inconsistency, the Trust Deed shall prevail. For definitions of capitalized terms relating to the Trust, refer to the Trust Deed.

3. RESPONSIBILITIES

3.1 Responsibilities of the Trustees

In addition to the Trustees' responsibilities set out in Part 12 of the Trust Deed, the Trustees' responsibilities with respect to the investment of the Economic Development Fund include:

- (a) Review this Policy, in consultation with the Guardian, at least once a year, and also whenever required by a major change such as:
 - (i) significant revisions to the expected long-term trade-off between risk and reward on key asset classes, normally dependent upon basic economic, political, and social factors;
 - (ii) a significant change in the financial risk tolerance of the Economic Development Fund;
 - (iii) shortcomings of the Policy that emerge in its practical application, or substantive modifications that are recommended to the Economic Development Fund;
 - (iv) changes in applicable legislation; or
 - (v) a request by the Settlor or the Guardian on behalf of the Beneficiaries;
- (b) Finalize and implement amendments or changes to this Policy that are substantive in nature, but only after approval by the Tla'amin Community Trust Meeting and the Guardian;
- (c) Provide the most recent version of the Policy to the Settlor, the Guardian and the Investment Manager(s);
- (d) Determine the Economic Development Fund's risk tolerance, and communicate these matters to the appropriate parties;
- (e) Establishing reasonable and consistent investment objectives, policies and guidelines in order to direct the investment of the EDF Property;
- (f) Invest the EDF Property in any Authorized Investment which they consider advisable;
- (g) Appoint, change and terminate the services of one or more Financial Advisors to advise with respect to the investment of all or any part of the EDF Property;
- (h) Appoint, change and terminate Investment Manager(s) to manage the EDF Property, including entering into investment management or subscription agreements with the Investment Manager(s);
- (i) Developing a set of guidelines acceptable to each Investment Manager within which that Investment Manager is expected to operate, including discretion limits, diversification, quality standards and performance expectations;
- (j) Evaluating the performance of the Investment Manager(s) to assure adherence to the Policy guidelines and monitor progress towards the Economic Development Fund's investment objectives;

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- (k) Ensure that all expenses and fees incurred by third party agents are customary and reasonable; and
- (l) Appoint and terminate agents and/or employees to assist in carrying out these responsibilities, provided that reasonable care is used in appointing and supervising such agents and employees.

3.2 Responsibilities of the Guardian

In addition to the Guardian's responsibilities set out in Section 14.5 of the Trust Deed, the Guardian's responsibilities with respect to the Economic Development Fund include:

- (a) Approval proposed amendments or changes to the Policy that are substantive in nature.

3.3 Responsibilities of the Financial Advisor

The Financial Advisor's responsibilities with respect to the Economic Development Fund include:

- (a) Advise and participate on the development and subsequent reviews of the Policy;
- (b) Provide the Trustees with the information necessary for the review of the Policy;
- (c) Advise and participate with the Trustees in the review of the planned investment strategies;
- (d) Advise on the selection of Investment Managers;
- (e) Evaluate the performance of the Investment Manager(s), and provide support to the Trustees in their qualitative and quantitative review and ongoing monitoring of the performance of the Investment Manager(s); and
- (f) Ensure some of its staff assigned to the Economic Development Fund have been awarded the Chartered Financial Analyst designation by the Chartered Financial Analyst Institute, and notify the Trustees immediately in writing if none of its staff assigned to the Economic Development Fund have been awarded the designation, and detail a timeframe of when the situation will be remedied.

3.4 Responsibilities of the Investment Manager(s)

The responsibilities of the Investment Manager(s) with respect to the EDF Property include:

- (a) Invest the EDF Property in accordance with the Policy, or if the EDF Property is invested in pooled funds, the Investment Manager(s) shall adhere to the respective investment policies that govern pooled funds in addition to the Policy. In case of conflict, the Investment Manager(s) must obtain approval from the Trustees prior to investing in the pooled fund, and provide at least annually a copy of any pooled fund investment policy in which the EDF Property is invested. The Investment Manager(s) shall advise the Trustees of changes to investment policies that govern the pooled funds;

- (b) Within the specific guidelines outlined in this Policy, the Investment Manager(s) may exercise full investment discretion, provided they exercise the care, skill and diligence that a prudent investor would in similar circumstances;
- (c) Notify the Trustees of any significant changes in the Investment Manager's organization, philosophy, procedures or personnel;
- (d) Prepare a quarterly report on the EDF Property's performance;
- (e) Meet semi-annually or as required with the Trustees to review the EDF Property's performance;
- (f) Rebalance its mandate to comply with the Asset Allocation Limits;
- (g) Comply with the specific Investment Manager Performance Objectives and Reporting Responsibilities as set out in Appendix B; and
- (h) Comply with the Code of Ethics and Standards of Professional Conduct of the CFA Institute.

4. INVESTMENT POLICY

4.1 Investment Objectives

The investment objective of the Economic Development Fund is to obtain an investment return sufficient to cover expenses and inflation, while exposing the EDF Property only to such risk as is consistent with that investment return. The investment return is not expected to cover disbursements, and therefore the real purchasing power of the Economic Development Fund is not expected to be maintained.

4.2 Investment Philosophy

The Trustees have consulted with the Guardian in developing the following philosophy with respect to investments that have been considered in developing the investment policy:

- (a) Investment policies and processes should be consistent with the nature of the Economic Development Fund's commitments and should consider the best interests of the Beneficiaries;
- (b) Asset allocation, that is, the long term split of the EDF Property among asset classes, is the most important determining factor in the investment performance and risk of the EDF Property;
- (c) In the long term, equities will outperform bonds to compensate for their higher risk;
- (d) Diversification offers the opportunity to improve risk-adjusted returns;
- (e) Holding investments in foreign currency is a form of diversification and, accordingly, foreign currency exposures will not be hedged unless there is investment rationale for doing so;
- (f) Achieving investment returns sufficient to meet the investment objectives of the Economic Development Fund generally requires assuming risk, meaning not only

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the volatility of investment returns, but a chance of not meeting the investment objectives and goals set for the EDF Property;

- (g) There is not a preference between active versus passive investment management strategies, provided that an active investment management strategy can outperform its benchmark by a margin at least equal to its investment management fees; and
- (h) Effective implementation strategies, such as manager structure, selection, monitoring and change, can improve the net returns and risk profile of the portfolio.

4.3 Investment Manager Mandate and Performance Objectives

The investment mandate and performance objective for the Investment Manager(s) are shown in Appendix A.

4.4 Asset Allocation

The EDF Property shall be invested in fixed income and other investments which shall seek to:

- (a) generate a consistent flow of investment income;
- (b) protect against inflation; and
- (c) provide diversification.

4.5 Asset Allocation Limits

The following limits shall apply to the Investment Manager(s) in aggregate:

	as a percentage of the market value of the EDF Property		
Asset Class	Minimum	Target	Maximum
Cash & Cash Equivalents	0	0	10
Fixed Income	90	100	100
Equity	0	0	0
Canadian Equity	0	0	0
Global Equity	0	0	0

These limits have been determined by the Trustees to meet the EDF Property's investment objectives and shall be reviewed by the Trustees from time-to-time as is appropriate. The minimum and maximum allocations take into account acceptable asset mix drift and provide for the opportunity to exploit tactical asset allocation. Any changes to these limits should be based on a careful review of the EDF Property and its objectives.

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4.6 Authorized Investments

Subject to Section 10.1 of the Trust Deed, the Trustees may invest in any of the qualified investments of the following investment categories, through purchase of securities or units of pooled funds:

- (a) Fixed income:
 - (i) bonds, debentures, notes and non-convertible preferred stocks;
 - (ii) mortgages;
 - (iii) mortgage-backed and asset-backed securities;
 - (iv) term deposits and guaranteed income certificates;
 - (v) Exchange Traded Funds (ETFs); and
 - (vi) contracts with life insurance companies.

- (b) Cash or equivalents:
 - (i) cash;
 - (ii) demand or term deposits;
 - (iii) treasury bills; and
 - (iv) commercial papers or bankers' acceptances.

- (c) Other:
 - (i) other investments are permissible if eligible under Section 10.1 of the Trust Deed; and
 - (ii) derivative instruments in accordance with section 4.9.

4.7 Fixed Income Quality Requirements

The fixed income securities should meet the following minimum quality rates from a recognized bond rating agency:

- (a) "A" or equivalent rate for individual bonds and debentures, with the exception that up to 20% of bond holdings can be held in "BBB" or equivalent;
- (b) "R-1" or equivalent rate for short-term investments; and
- (c) "P-3" or equivalent rate for preferred shares.
- (d) Mortgage investments shall be restricted to first mortgages of industrial, residential, commercial and office properties, and may not exceed 80% of the market value of the individual mortgage's underlying property.

4.8 Derivatives

The EDF Property's use of derivatives strategies is restricted to financial instruments as rights, warrants, forwards and futures only within a pooled fund, subject to Section 10.1(a) of the Trust Deed, for the exclusive purpose of controlling risk or currency fluctuations, but not in a way that is destined to exploit financial leverage.

4.9 Quantity Restrictions

Holdings of fixed income securities in any single corporation shall not represent more than 10% of the total market value of the equity portfolio or fixed income portfolio respectively.

Where the EDF Property invests in the debt of any corporation, including subsidiaries, it shall not hold more than 30% of the debt in aggregate of the corporation, including its subsidiaries.

No more than 10% of the total market value of the EDF Property shall be invested in any fixed income security that is not guaranteed by the Government of Canada or the government of a Canadian province or territory.

No more than 10% of the fixed income portion of the EDF Property may be invested in non-Canadian dollar denominated bonds.

4.10 Liquidity of Investments

Fixed income investments of the EDF Property should be invested in marketable securities with high liquidity. Mortgage investments by their nature are less liquid. Any pooled funds utilized must be valued according to unit values published at least monthly.

4.11 Pooled Fund Investment Policy

The Trust Property is also governed by the following Investment Policies:

- Addenda Commercial Mortgages Pooled Fund
- Addenda Bonds Short Term Corporate Core Pooled Fund

These Investment Policies would take precedence should any conflict arise between the Policy and said Investment Policies.

5. ADMINISTRATION

5.1 Voting Rights

The Investment Managers are delegated the voting rights for all securities held under the Economic Development Fund subject to the Trustees exercising their right at any time to give direction to the Investment Managers with respect to the voting on any specific situations. This is not applicable if securities are held within a pooled fund. The Investment Managers are required to advise the Trustee in advance of any such situations but shall keep the Beneficiaries informed of any pending voting which may have a significant impact on the Economic Development Fund. Any voting rights exercised by the Investment Managers shall be in the best interests of the Beneficiaries of the Economic Development Fund and, where applicable, comply with the Policy.

5.2 Investments Not Regularly Traded

Should an Investment Manager invest in any securities wherein the market value is not readily available, the Investment Manager will present the method to be employed in establishing the market value for approval by the Trustees.

5.3 Incorporating the Policy into Investment Management Agreements

The investment and reporting guidelines of this Policy shall be incorporated into the investment management agreements that the Trustees enters into with the Investment Manager(s).

5.4 Conflicts of Interest

The Trustees, Guardian, Financial Advisor, agents, advisors, and Investment Managers whose services are retained by the Economic Development Fund are all fiduciaries and, as such, subject to the following guidelines:

- a) Fiduciaries shall not knowingly permit their interests to conflict with the duties and powers with respect to the EDF Property;
- b) A conflict of interest is deemed to exist when private or corporate interests are of sufficient substance and proximity to their duties and powers with respect to the Economic Development Fund to impair their ability to render unbiased advice or make unbiased decisions affect the EDF Property;
- c) A fiduciary that wishes to make a recommendation or take action with respect to the investment of the EDF Property must disclose actual or perceived conflicts of interest in writing as soon as possible, along with all relevant details to the Trustees;
- d) While all circumstances giving rise to possible conflicts of interest cannot be identified, fiduciaries shall disclose, among other things:
 - a. Material beneficial ownership of investments, which the Economic Development Fund may be considering purchasing, 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 which the Economic Development Fund owns or may be considering purchasing;
 - c. Consideration received, paid or granted to others for making a particular recommendation relating to the investment of the EDF Property.

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This Policy is adopted on _____, _____

Lenora Ann Dickey
Trustee

Alexander Hugenschmidt
Trustee

Ann Laura Paul
Trustee

Alisha Dorian Point
Trustee

Kristi Marie Thiele
Trustee

APPENDIX A – INVESTMENT MANAGER MANDATES

Short Term Bond Fund Mandate

Manager

Addenda Capital

Fund

Addenda Short Term Corporate Bond Pooled Fund

Benchmark (before investment management fees)

100% FTSE TMX Short Term Corporate Bond Index

Performance Standard

Benchmark + 0.10%

Canadian Commercial Mortgages Fund Mandate

Manager

Addenda Capital

Fund

Addenda Commercial Mortgages Pooled Fund

Benchmark (before investment management fees)

100% FTSE TMX Short Term Bond Index

Performance Standard

Benchmark + 1.00%

APPENDIX B – PERFORMANCE OBJECTIVES AND REPORTING RESPONSIBILITIES

1. PERFORMANCE OBJECTIVES

- 1.1 Performance Standards: The Investment Manager(s) will be expected to meet the performance standards over completed market cycles
- 1.2 Performance will also be evaluated in terms of the deviation of the actual return from the performance standard over a variety of time intervals. Results consistently below the performance standard will require detailed explanation by the Investment Manager(s).

2. REPORTING RESPONSIBILITIES

- 2.1 The Investment Manager(s) shall submit a statement of broad investment philosophy and approach indicating the general direction in which funds will be invested. This statement should include a general description of the investment style including permitted investments and diversification requirements.
- 2.2 The Investment Manager(s) will notify the Trustees immediately in writing if:
 - a) the Investment Manager(s) are not in compliance with any aspect of its mandate. Such notification shall also include any remedies required to return the portfolio to compliance;
 - b) there are any significant changes to the Investment Manager(s) in terms of policies, procedures, personnel or ownership; and
 - c) there is any material variation to the investment style provided by the Investment Manager(s)
- 2.3 The Investment Manager(s) shall provide the Trustees with a copy of their policies and procedures for:
 - a) professional standards;
 - b) conflicts of interest; and
 - c) internal controls on operations.
- 2.4 Conflicts of Interest: The Investment Managers shall disclose to the Trustee information on any actual or potential conflicts of interest as they arise. This shall include but not be limited to:
 - a) affiliated parties, including brokers/dealers;
 - b) related party transactions; and
 - c) lines of business other than investment of money for tax-exempt funds.

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- 2.5 Performance-related reporting: The Investment Managers shall provide to the Trustee the following information, or other such information that may be requested by the Trustee, within four weeks of the quarter-end:
- a) time-weighted rates of return for each fund and its components, as applicable with comparisons against benchmarks;
 - b) asset mix calculated at market value, as applicable;
 - c) significant shifts in strategy and/or portfolio composition that occurred during the quarter; and
 - d) monthly transaction report.
- 2.6 Compliance Report: On a quarterly basis, the Investment Managers shall confirm its compliance with the fund prospectus. The Investment Managers must also advise if there were any changes to the prospectus and investment mandate.
- In addition, the Investment Manager(s) must confirm that its mandate remains eligible for a registered savings plan within the meaning of section 146 of the Income Tax Act.
- 2.7 On at least an annual basis, the Investment Managers shall meet with the Trustees and provide in writing:
- a) the underlying rationale for the strategy, including an economic commentary, a market overview and return expectations for the capital markets;
 - b) an analysis of their performance including significant decisions that had both a positive and negative effect on returns; and
 - c) a review of the current holdings including significant deviations from the applicable benchmark indices.