



# AFOA Atlantic

## Achieving “Sustainable Wealth”

(Wednesday, November 20, 2019)

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T.E. Wealth, Indigenous Services  
Jack Jamieson, Vice President

# IT'S ABOUT HAVING A PROCESS! ...

...Which involves a sequential order of events that is much more than simply finding a good Investment Manager

**1. COMMUNITY READINESS**

**2. DEVELOPMENT OF THE INVESTMENT POLICY**

**3. PORTFOLIO STRUCTURE**

**4. INVESTMENT MANAGER SEARCH & SELECTION**

**5. ONGOING PERFORMANCE MONITORING**

**6. ONGOING MEMBER COMMUNICATION, TRANSPARENCY & REPORTING**

# COMMUNITY READINESS


- 1) Confirmation of Leadership's Strategic Vision & Guiding Principles*
- 2) Ensure an Effective Member Communication Strategy*
- 3) Community Consultation & Education = Increased Membership Buy -in*
- 4) Getting the Team Together – Development of the Legal Structure*





# *CONFIRMATION OF LEADERSHIP'S STRATEGIC VISION & GUIDING PRINCIPLES*

*What are we actually trying to accomplish in terms of  
Portfolio Priorities and Objectives?*

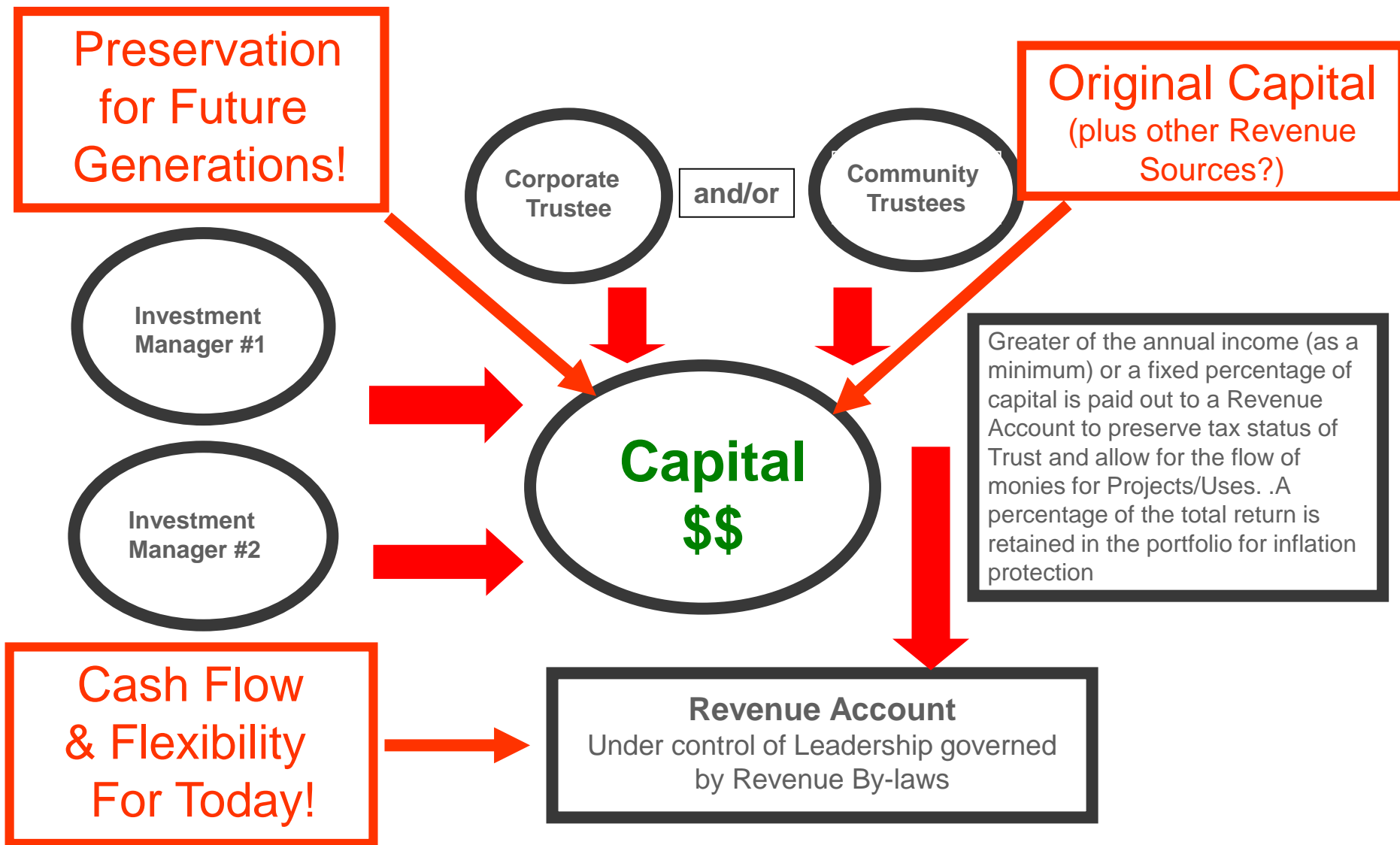
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- ✓ Education?
  - ✓ Housing?
  - ✓ Health & Wellness?
  - ✓ Economic Development?
  - ✓ Culture & Language?
  - ✓ Infrastructure?

*What about Investment for  
Future Generations?*

# WHAT ARE THE BENEFITS OF A COMMUNITY TRUST?

- a) To protect and segregate assets : not mingled with any other Community funding
- b) To preserve and grow the trust capital – for the long term benefit yet flexible enough to meet the changing needs of the Community and its members
- c) To generate a stable and sustainable annual income payment for the needs of today
- d) To ensure transparency and accountability relative to the use of Trust funds
- e) Creditor Proofing in the event of financial difficulties within the Community

# THERE ARE MANY TRUST STRUCTURES ! THIS IS JUST ONE OF THEM...



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“The greatest problem in communication is the illusion that it has been accomplished”



# COMMUNICATION

## Step 1

Sender → Message → Receiver

## Step 2

Receiver → Message → Sender

## Step 3

Sender → Message → Receiver

# COMMUNICATION- TACTICS AND TOOLS

## Various Methods

- Face-to-face
- Print
- Electronic

## Our Support Includes ...

- Audience Response  
Technology-anonymous polling
- World Cafés- interactive  
member discussion/feedback  
sessions
- Focus Groups
- Website
- Newsletters – “Q&A” Updates
- Working Groups
- Education sessions- Trust 101
- Special Events



# COMMUNITY READINESS

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# COMMUNITY READINESS

## *Member Consultation & Education*

**Awareness**

**Understanding**

**Acceptance**

**Competency**

**Action**

Information



Education



Emotional Acceptance



Action

## People Factors to Consider

- Age
- Gender
- Current health issues
- Marital/family status
- Personal Values
- Education
- Comfort in “routines” and fear of change
- On or Off-Reserve
- Housing
- Employment status
- Cultural views
- Current Events
- Political pressures
- Initiative fatigue



# CREATING SUSTAINABLE WEALTH STRATEGY TO TACTICS



In the end, it's all about;

- ✓ Increasing awareness of membership
- ✓ Understanding the rewards and consequences of future decisions
- ✓ Increasing interest and a desire for a financially strong community
- ✓ Encouraging members to take positive action

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# GETTING THE TEAM TOGETHER



- ✓ Finding Law Firms qualified in writing appropriate Indigenous Structures/Trusts
- ✓ Corporate / Member Trustee Selection Process
- ✓ The Investment Manager Search & Selection Process

*What about the Financial Considerations?*





# GROWTH AND SUSTAINABILITY

*... which can be defined as  
“Meeting the needs of the present without  
compromising the ability of future  
generations to meet their own needs”*

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*“Someone’s sitting in the shade  
today because someone planted a  
tree a long time ago.”*

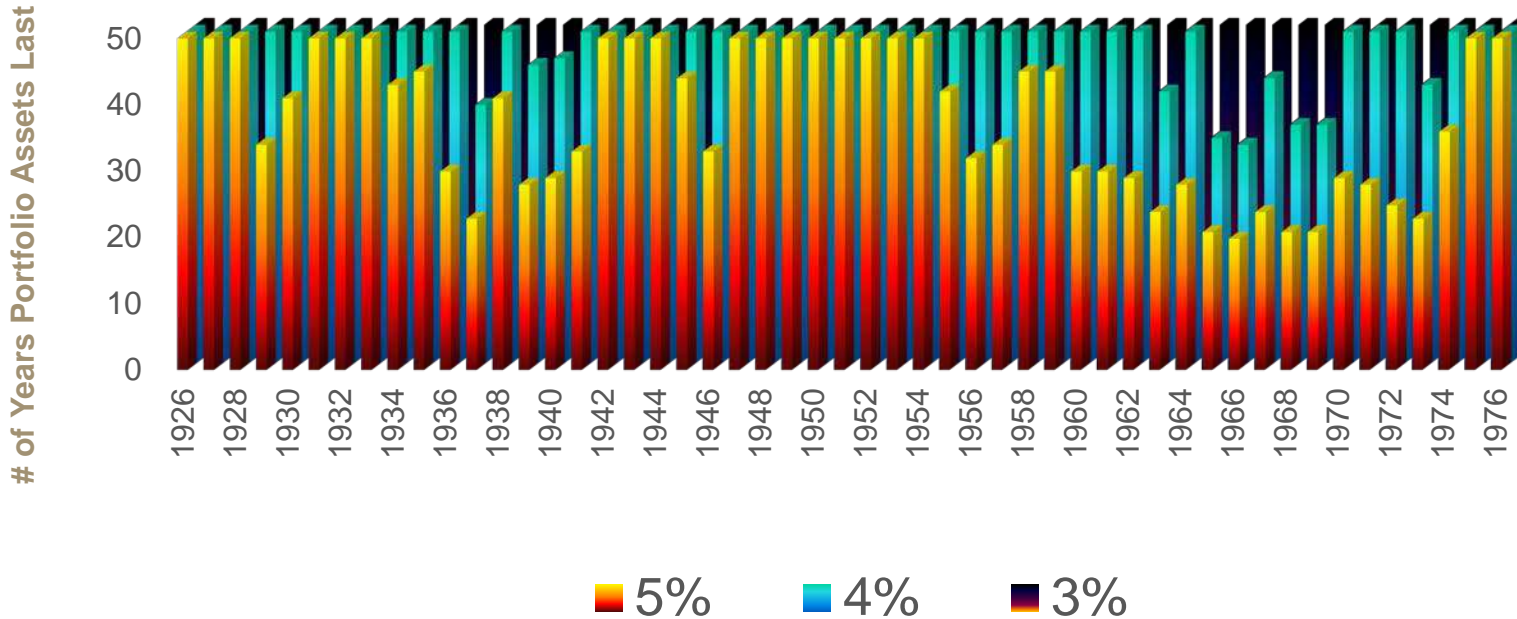
- Warren Buffet



# THE INVESTMENT STRATEGY... WHILE CONSIDERING PORTFOLIO SUSTAINABILITY



## 50/50 ALLOCATION, YEAR END PORTFOLIO WITHDRAWALS BEGINNING FROM 1926 -1976



Source: William P. Bengen , “Determining Withdrawal Rates Using Historical Data”  
<http://www.retailinvestor.org/pdf/Bengen1.pdf> Oct 1994

# DETERMINING THE TRUST RETURN REQUIREMENTS TO MEET OBJECTIVES

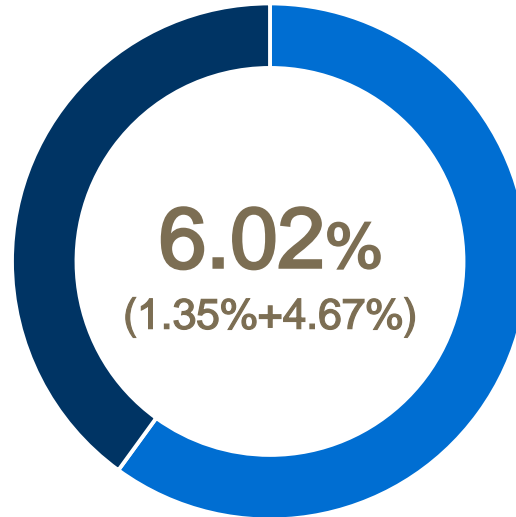
- ❖ +4.00% Minimum Annual Payment less Authorized Expenses
- ❖ +2.00% To meet estimated inflation (CPI)
- ❖ **6.00%** **Target Return Objective or 4.0% + CPI (Inflation)**



# TURNING RETURN REQUIREMENTS INTO AN ASSET MIX

## Return Contribution | Sample Portfolio

45% in Bonds  
@ 3.0% = 1.35%



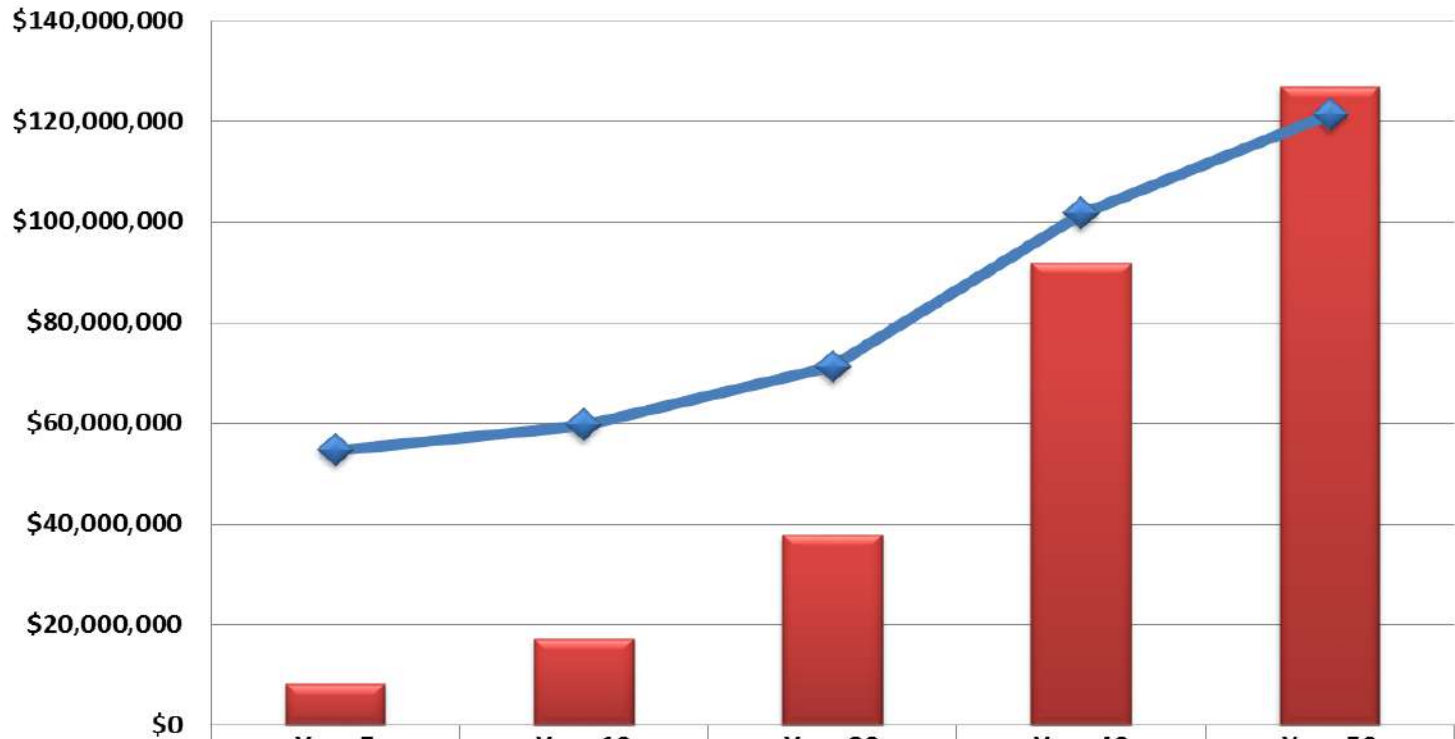
55% in Equities  
@ 8.5% = 4.67%

“ANTICIPATED RATE OF RETURN”

MUST HAVE THE ABILITY TO ACHIEVE THE ANNUAL

“REQUIRED RATE OF RETURN”

# PROJECTED GROWTH & DISTRIBUTIONS



	Year 5	Year 10	Year 20	Year 40	Year 50
Cumulative Income Dollars To Community	\$8,239,750	\$17,243,836	\$37,835,196	\$91,786,044	126,848,187
Trust Value	\$54,638,098	\$59,706,436	\$71,297,170	\$101,665,729	121,401,967

**Initial investment of  
\$50,000,000**

**Return Assumptions**  
6.0% target return with 4.0% withdrawn annually (min.4.0% Annual Payment to Community Revenue account +1.0% operating expenses) with 2.00% retained within the portfolio to maintain purchasing power.

**Cumulative Annual Payment to Community Revenue Acct**  
Assumes that 3.0% of portfolio capital would be transferred to Community Revenue Account annually.

Please note this is a sample only and is **no guarantee** of future performance .

## Challenge :

Leveraging Trust Capital versus Withdrawing Capital?

## Considerations :

### 1) Borrowing ?

- Ensure the annual payment is not eating up the Trust's entire annual income payment for the next 10 or 20 years (max 50% of Annual Payment?)

### 2) Lend?

- Be your own banker – ensure the Trust agreement permits the Trust to lend (to the Nation?). This represents an investment of the Trust and the Nation is borrowing from Trust.
- Keep the money in the Community and at cheaper rates than the bank



## Challenge :

Assessing Risk associated with many Private Equity Investments versus traditional stock and bond portfolios?

## Considerations :

- 1) Get professional assistance and expertise to assess Private Investment opportunities
- 2) Lend to the Nation and let the EC Dev/Nation take ownership (including the risk) ?
  - An assignment against the Nation's Annual Income payment can be taken to protect against non-payment

## Challenge :

### Limiting Uses of Capital?

- Access to capital is often limited to Emergencies or Land Purchases but what if you have grown the trust by \$25 million
- How do you predict what the Nation's needs are in 30 years and how much access to capital should be allowed?

## Considerations :

### 1) Sample Encroachable Capital Formula

- Shall not be greater than 50% of the Current Market Value of the Trust Capital “less” the Inflation Adjusted Amount of Capital since inception of the Trust

A background image showing a business meeting. Several people in white shirts are gathered around a table, looking at and pointing to various financial documents and charts. The charts include pie charts and bar graphs. The scene is brightly lit, possibly from a window, creating a professional and collaborative atmosphere. A blue diagonal graphic element runs across the right side of the image.

# THE IMPLEMENTATION PROCESS –

Investment Policy and Guidelines  
Portfolio Structure  
Investment Manager Search  
Performance Monitoring and  
Reporting

# WHAT GOES INTO AN INVESTMENT POLICY

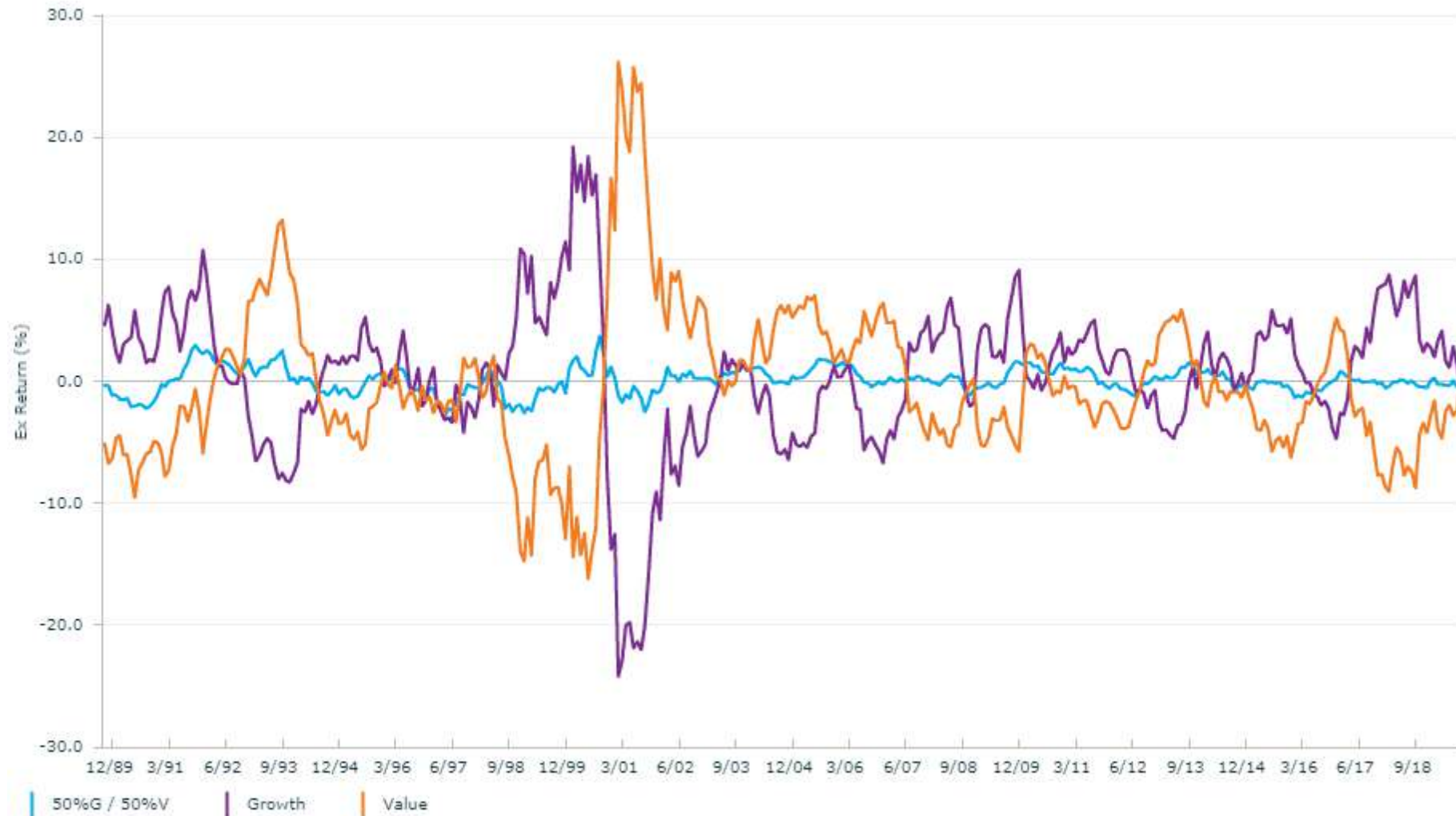


# STRUCTURE CONSIDERATIONS – MULTI-MGR / MULTI-STYLE



## Style Diversification

Rolling 1 yr Excess Return vs. S&P 500 in \$C (before fees) over 30 yrs ending September-19




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# INVESTMENT MANAGER SEARCH AND SELECTION

- All providers exist for a reason, but all are not created equal
- Diligence is required to understand the scope of providers available
- Hire managers for their strengths and avoid their weaknesses



# THE MANAGER SEARCH-DUE DILIGENCE



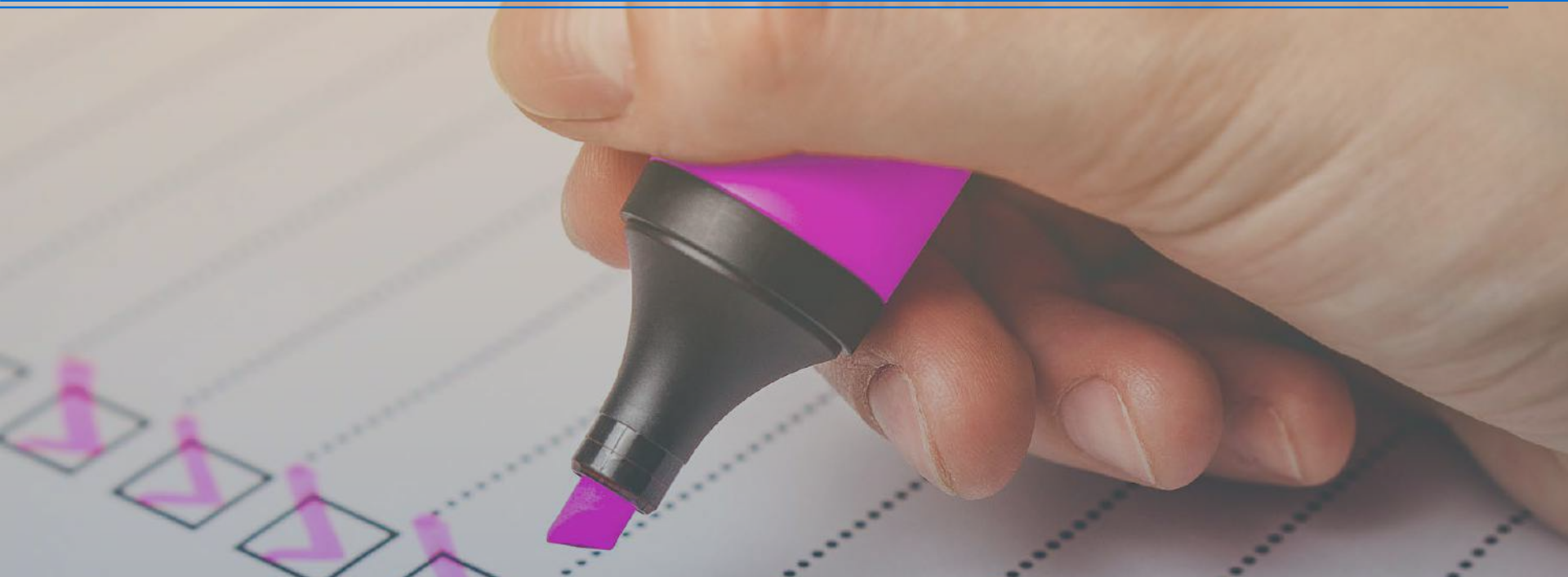
Performance – absolute, benchmarks & peers  
Performance data relevant to the mandate required  
Risk - not all returns are created equally  
Buy & sell disciplines  
Dedicated investment style and low correlation to existing providers  
Segregated Holdings vs. Pools  
Low professional turnover  
Research - internal versus external  
Ownership and compensation  
Fees  
Service - reporting including ability to visit your community, number of relationships,  
Indigenous experience and ability to support your community

# PERFORMANCE AND PEER MONITORING

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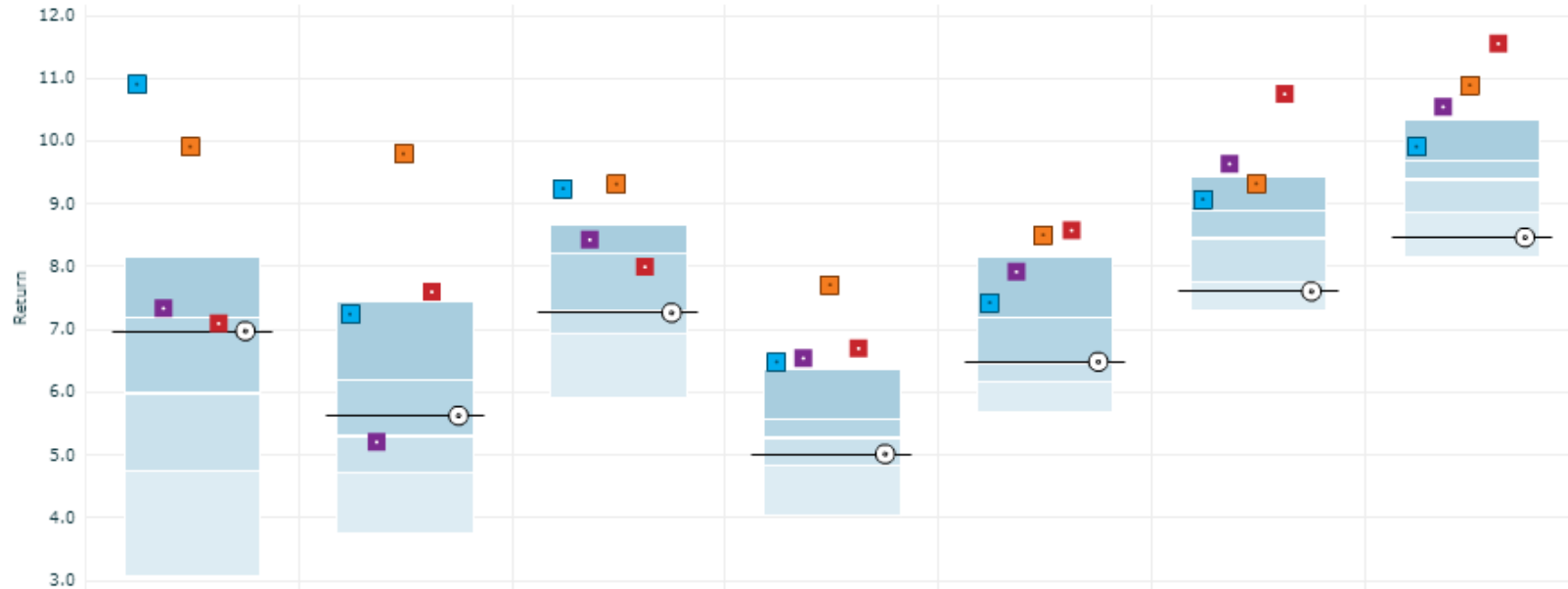
# ONGOING PERFORMANCE MONITORING

- 
- ✓ Performance Commentary
  - ✓ Consolidated performance reporting and by individual manager
  - ✓ Absolute returns against investment objectives
  - ✓ Returns against weighted market benchmarks
  - ✓ Returns against peer group or like managers
  - ✓ Risk-Return analysis (return received for each unit of risk taken)
  - ✓ Compliance Certificate

# SAMPLE PEER GROUP CHART ANNUALIZED RETURNS

Return in \$C (before fees) over 1 yr, 2 yrs, 3 yrs, 4 yrs, 5 yrs, 7 yrs, 10 yrs ending March-19

Comparison with the Pooled - Canadian Balanced (PFS) universe (Percentile Ranking)

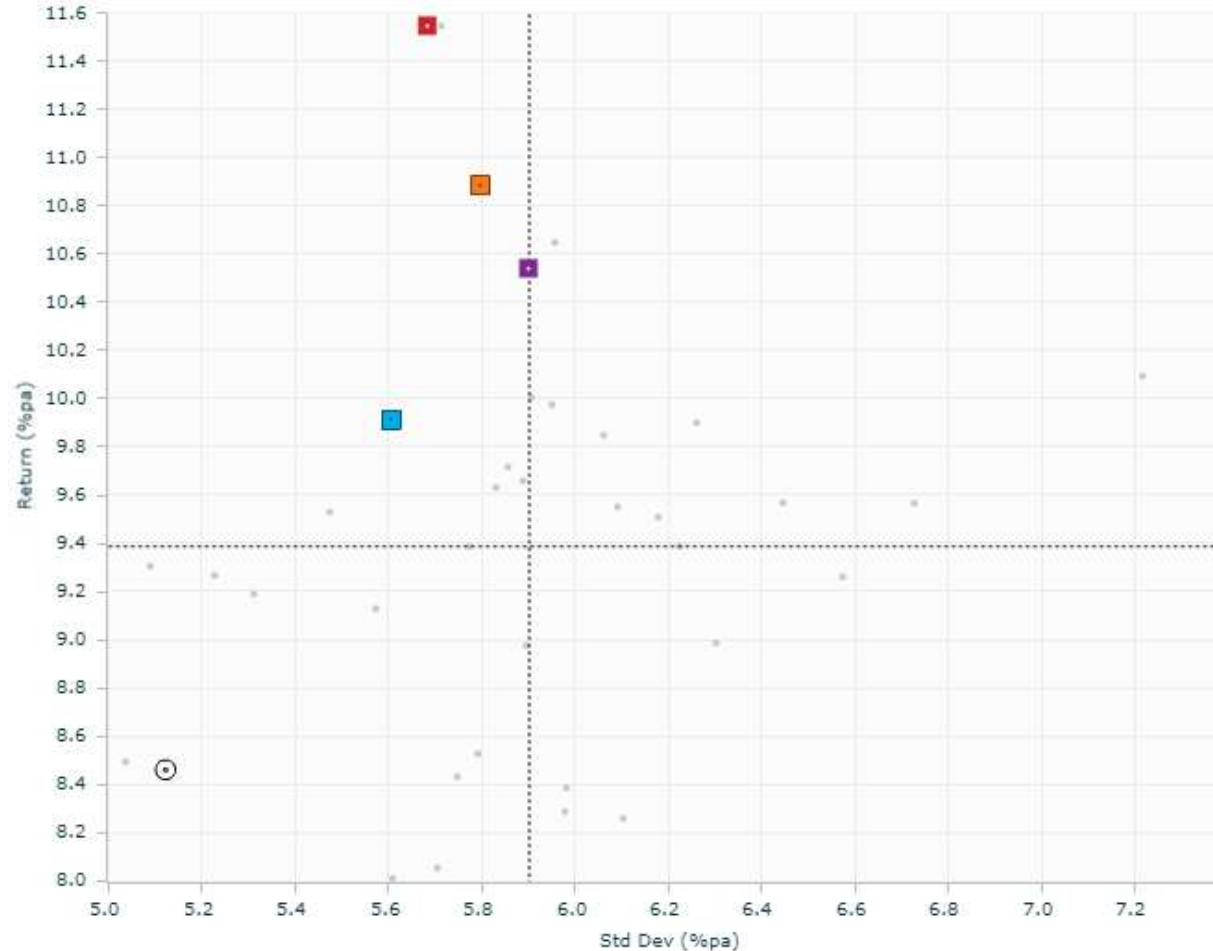


	1 yr (%)	2 yrs (%pa)	3 yrs (%pa)	4 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
Manager A	10.9(0)	7.2(7)	9.2(0)	6.5(3)	7.4(17)	9.1(19)	9.9(16)
Manager B	7.3(20)	5.2(56)	8.4(16)	6.5(3)	7.9(7)	9.6(3)	10.5(4)
Manager C	9.9(0)	9.8(0)	9.3(0)	7.7(0)	8.5(1)	9.3(8)	10.9(2)
Manager D	7.1(29)	7.6(4)	8.0(34)	6.7(1)	8.6(1)	10.8(0)	11.5(0)
PASSIVE	7.0(31)	5.6(45)	7.3(50)	5.0(61)	6.5(49)	7.6(80)	8.5(82)
5th Percentile	8.2	7.4	8.7	6.4	8.1	9.4	10.3
Upper Quartile	7.2	6.2	8.2	5.6	7.2	8.9	9.7
Median	6.0	5.3	7.3	5.3	6.5	8.5	9.4
Lower Quartile	4.8	4.7	6.9	4.8	6.2	7.8	8.9
95th Percentile	3.1	3.8	5.9	4.0	5.7	7.3	8.2
Number	37	37	35	35	34	33	32

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# SAMPLE RISK/RETURN CHART

Return and Std Deviation in \$C (before fees) over 10 yrs ending March-19  
 Comparison with the Pooled - Canadian Balanced (PFS) universe (monthly calculations)



Name	Return (%pa)	Std Dev (%pa)
Manager A	9.9	5.6
Manager B	10.5	5.9
Manager C	10.9	5.8
Manager D	11.5	5.7
PASSIVE	8.5	5.1
Median	9.4	5.9

# THE PROCESS – IN SUMMARY

**COMMUNITY  
READINESS**

**PORTFOLIO  
STRUCTURE**

**ONGOING  
PERFORMANCE  
MONITORING**

**DEVELOPMENT OF THE  
INVESTMENT POLICY**

**INVESTMENT MANAGER  
SEARCH & SELECTION**

**MEMBER  
COMMUNICATION AND  
REPORTING**





# THANK YOU

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