SHAUNESSY
INVESTMENT COUNSEL INC.

September 2013

Tr'ondëk Hwëch'in Trust – Manager's Update

Performance to June 30, 2013: In the last year, the portion of the Trust invested in capital markets (global bonds and stocks), has grown 11.1% and is meeting the investment goal of inflation plus 4%. Since Shaunessy was recruited (March, 2011) as manager, the Trust has provided an average return of 11.2% and has outperformed both the benchmark and other similar managers.

Outlook for 2013/14: We expect fixed income investments (bonds etc.) in 2013/14 to remain vulnerable to rising interest rates. The Canadian bond index is down over 2% this year as bond yields (the rate of return to maturity), led by U.S. bonds, rose sharply in response to Fed Reserve Chair Bernanke's musings about 'tapering' central bank bond buying. For bond yields to rise, bond prices must fall, which is exactly what happened as investors sold government and corporate bonds and almost all other investments with yield. Approximately one third of your bond portfolio is in shorter term bonds to contain the interest rate risk.

For the rest of 2013, the outlook for stocks is positive for the U.S., improving for Europe and neutral for Canada. Canada is anchored in financials, materials (especially gold) and energy: at the present time out-performance is unlikely from any of these sectors though the outlook improves as U.S. and global economic growth stabilizes and the demand for commodities and manufactured good rises. The returns for the past twelve months (in C$ to June 30th) are compelling: U.S. stocks buoyed by cheap money and a rising sense of confidence in the domestic economic, have generated 24% while Canada is up 8%. Your portfolio's exposure to U.S. stocks was increased to 30% in 2012 to take advantage of this situation. Your portfolio has also benefited from broad rise in international stocks values. In the second half of 2013, the market did take back some of the bigger gains, which is normal, and currently (September 2013) many investors are sitting on the fence waiting to see if the upward climb will continue or slow. In 2014 growth in stock valuations will depend much more on corporate earnings performance.

The future entails many unknowns and we treat it with caution. There is macro-level uncertainty in 2013/14 (e.g. U.S. growth, credit crunch in China, Japan's re-flation experiment) and periodic bouts of risk aversion should be expected, but on the whole, to our eyes, capital markets are less risky today and offer opportunities for prudent investors to earn good rates of return (8%) and for you to achieve your desired investment objectives.

Terry Shaunessy & Mark Kryzan