RRSPPN
Régime de rentes de la sécurité publique des Premières Nations

FNPSPP
First Nations Public Security Pension Plan

2022

APPENDICES

ANNUAL REPORT

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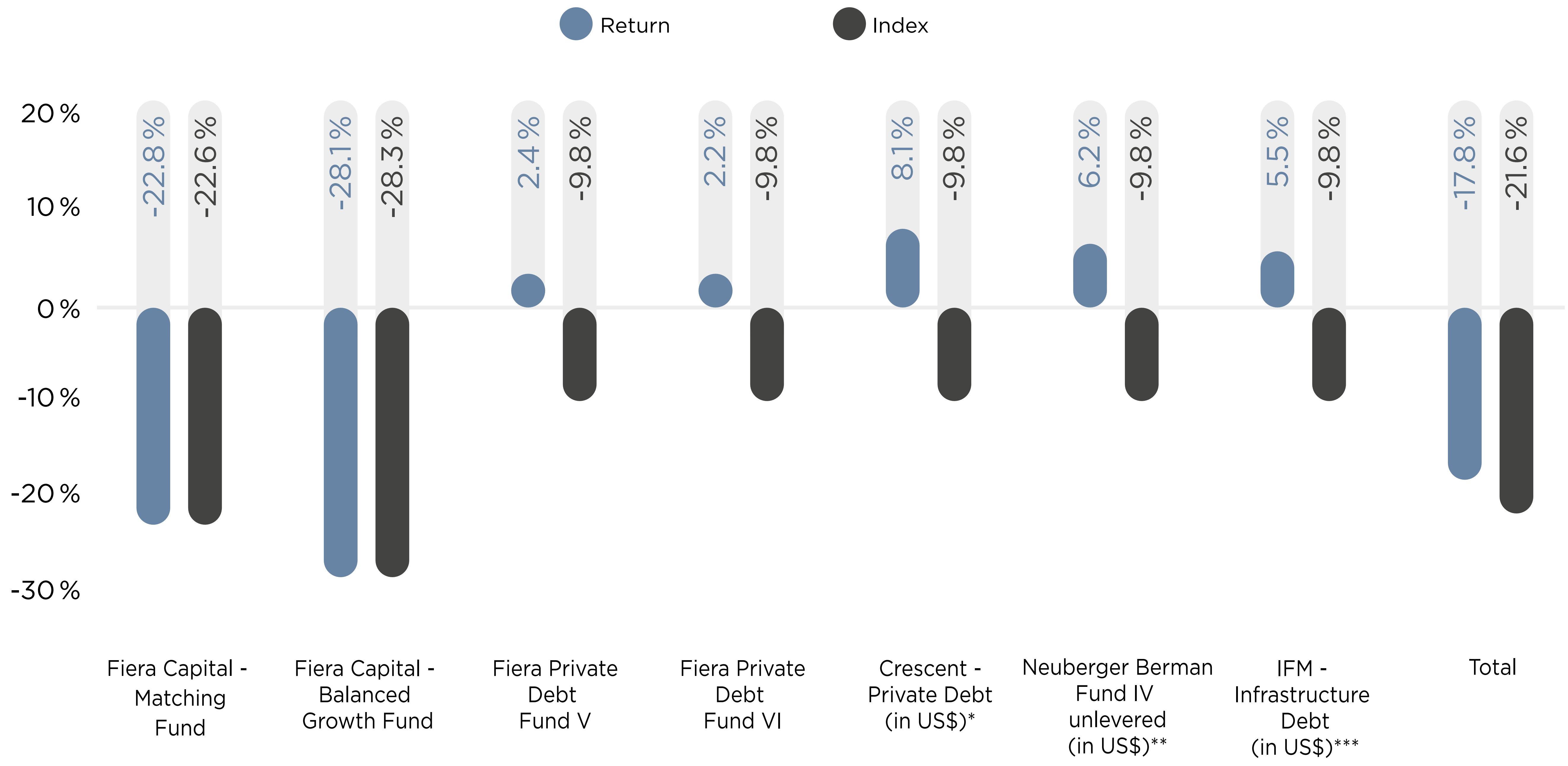
INVESTMENT PERFORMANCE BY ASSET CLASS

A. FIXED INCOME SECURITIES

FIXED INCOME SECURITIES PERFORMANCE IN 2022



*Return of 16.7% in Canadian currency for 2022

**Return of 13.9% in Canadian currency for 2022.

***Return of 11.9% in Canadian currency for 2022.

2022 was a year marked by high interest rates on all maturities driven by significant key rate hikes. High inflation prompted central banks to raise their key rates repeatedly throughout 2022. The Federal Reserve's key rate skyrocketed to a range of 4.25% to 4.50%, up from 0.00% to 0.25% at the start of the year. As for the Bank of Canada, it hiked its key rate from 0.25% to 4.25% throughout 2022.

The fixed income portfolio posted a return of -3.4 %, with a subtracted value of 0.3% over the benchmark portfolio's return. The added value is mainly due to the outperformance by investment managers in private debt and alternative debt, which generally benefited from rising rates as a significant portion of the portfolios are floating rate funds. As for Canadian bonds, they help stabilize the Plan's financial situation. Thus, despite the negative yield on these bonds in 2022, rising interest rates also had the overall effect of improving the Plan's financial situation due to the decline in the value of the actuarial liabilities, which are also sensitive to rising interest rates.

As at December 31, 2022, fixed income investments were managed by Fiera Capital, IFM, Crescent and Neuberger Berman. Mandates for private debt were introduced in 2015 to improve the current income return of the portfolio. In 2022, assets were committed to Carlyle in corporate private debt. Capital deployment for amounts committed in recent years continued in 2022.

With assets of $338.4M for the Master Trust, this asset category represents a target of 80% for the Matching Fund and 20% for the Balanced Growth Fund.

B. STOCK MARKETS

Foreign developed stock markets generated returns of approximately -12% in Canadian dollars. As for the Canadian market, it recorded returns of nearly -6 % in 2022.

As at December 31, 2022, equities accounted for 52.5% of the balanced growth fund's assets, including 14.5 % in Canadian equities, 23% in global large capitalization equities, 7.5% in global small capitalization equities and 7.5% in emerging market equities. The market value of equity investments represented close to 37% of the Plan's assets by year's end.

1. CANADIAN EQUITIES PERFORMANCE IN 2022

The S&P/TSX closed the year with a -5.8% return. In the Canadian market, returns varied by sector. Energy was the year's best-performing sector (31%). Health Care (-62%) was the lowest-performing sector of the year. This sector makes up less than 1% of the Canadian economy. The Information Technology sector posted the second-worst return (-52%), mainly due to Shopify's decline (-73%).

Canadian equities were managed by Fidelity as at December 31, 2022. The Master Trust's Canadian equities portfolio posted an overall return of -2.8%, with an added value of 3.0% over the benchmark index (S&P/TSX Composite). Despite the negative absolute return, the manager has protected the principal relative to the loss that would have occurred had the plan been invested on an index basis.

2. GLOBAL EQUITIES PERFORMANCE IN 2022

The Master Trust's global equities portfolio, mainly consisting of U.S., European and Asian equities, posted a return of -8.8% in Canadian dollars, with a 3.4% added value with respect to the benchmark index (MSCI World in Canadian dollars). Similar to Canadian equities, the selection of global equity investment managers, including the addition of Amundi, a manager with a more defensive approach selected in 2021 and whose tenure began in early 2022, provided capital protection in 2022 with a return in the range of 0%.

In 2022, the U.S. dollar appreciated against the Canadian dollar, thereby improving returns when converted into Canadian dollars. USD currency hedging is in place in a context of risk management. Due to the greenback losing ground against the Canadian dollar, currency hedging (see Section D) was detrimental to the year's total return.

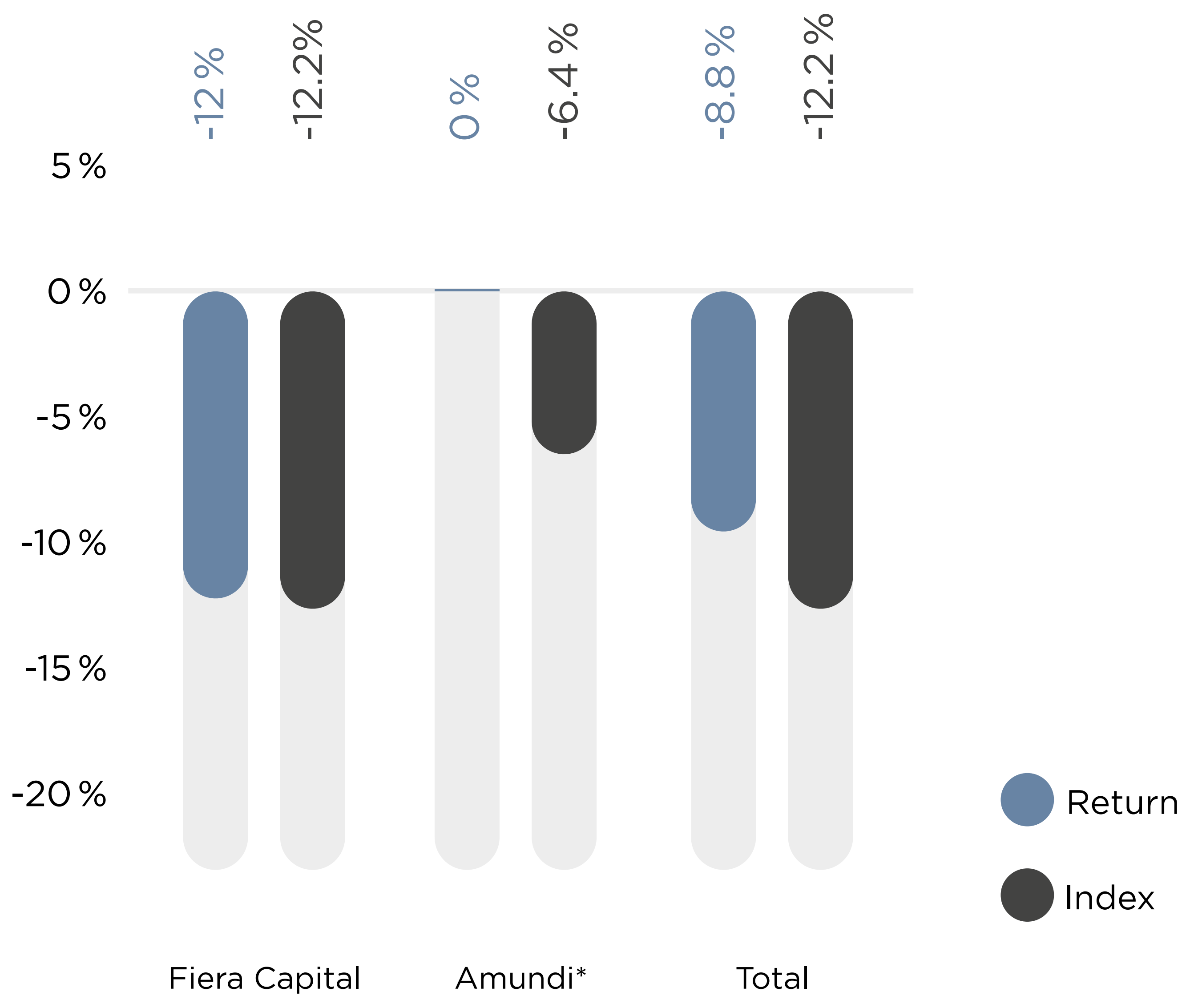
Global equities are managed by two investment managers. Fiera Capital's and Amundi's performance surpassed the benchmark index (MSCI World Index in Canadian dollars).

3. GLOBAL SMALL CAPITALIZATION EQUITIES PERFORMANCE IN 2022

Global small capitalization equities are managed by Mawer. In 2022, the manager generated a return of -16.3%, which is 3.5% below the benchmark index (MSCI World Small Cap net in Canadian dollars). The manager's subtracted value in 2022 positions them at the median of comparable managers. The manager adds value over longer periods (5 and 10 years).

4. EMERGING MARKET EQUITIES PERFORMANCE IN 2022

Emerging market equities are managed by JP Morgan. Emerging market equities generated a return of -22.7%, which is 8.4% below its benchmark index (MSCI Emerging Market net in Canadian dollars). JP Morgan is a conviction manager that, through its investment approach, may experience periods of higher subtracted value. That being said, the manager was met with in 2022 to explain their performance and is closely monitored by the Investment Committee.



* Performance over the last nine months of 2022.

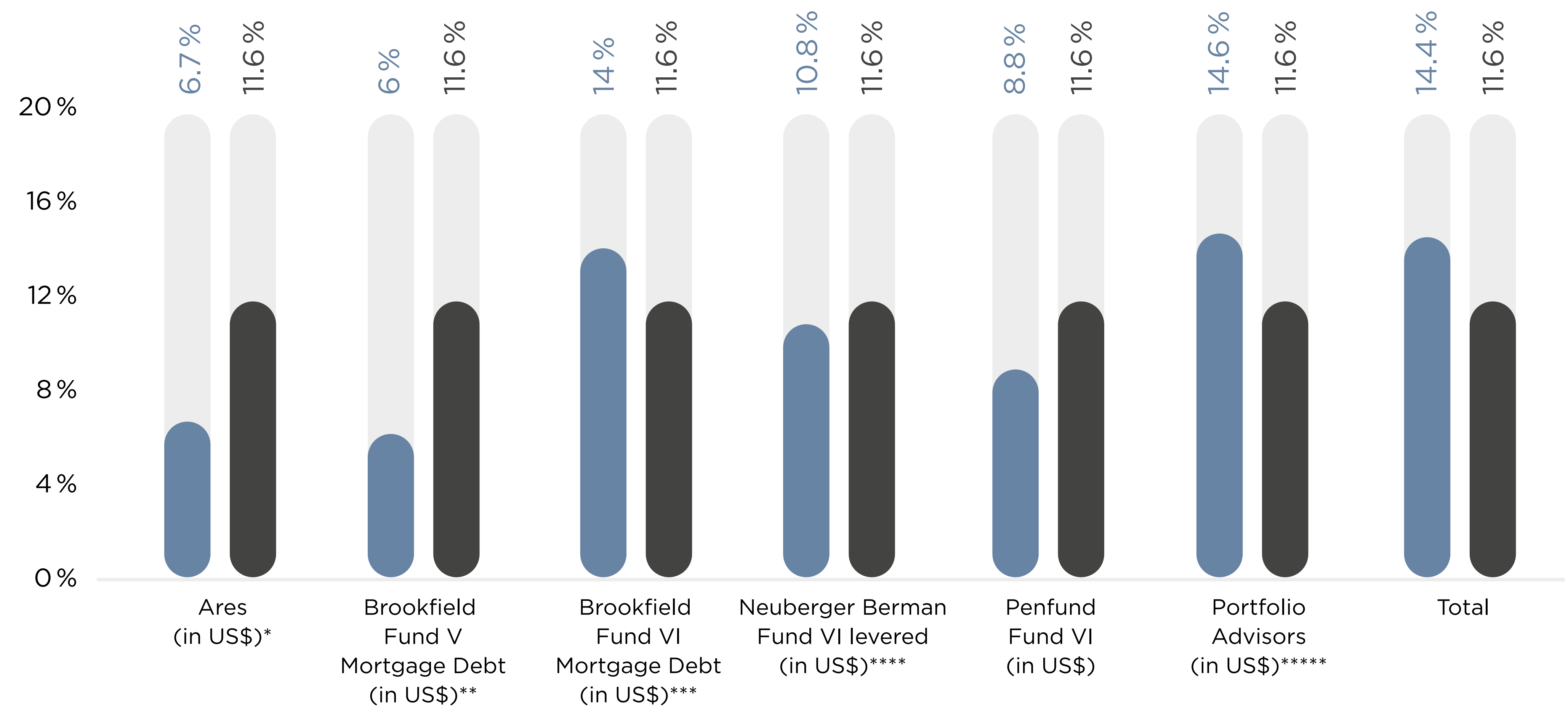
C. ALTERNATIVE INVESTMENTS IN ALTERNATIVE HIGH-YIELD DEBT, DIRECT REAL ESTATE AND INFRASTRUCTURE

High-yield alternative debt, real estate and infrastructure target exposure each represented 6%, 7% and 7% of the Matching Fund's assets respectively as at December 31, 2022, for a combined market value of $69.3M. As for the Balanced Growth Fund, alternative high-yield debt, real estate and infrastructure target exposure represented 7.5%, 10% and 10% respectively, for a combined market value of $147.6M.

1. ALTERNATIVE HIGH-YIELD DEBT INVESTMENT PERFORMANCE IN 2022

As at December 31, 2022, high yield alternative debt investments are managed by Ares (formerly AMP Capital), Brookfield, Neuberger Berman, Penfund, Portfolio Advisors and Crescent. In 2022, a decision was made to commit assets to Crescent and Barings to pursue the deployment strategy for this asset class. Finally, since the Crescent Credit Solution VIII and Penfund VII funds are in the early stages of development, the managers' performances are not yet representative and are therefore not presented.

The performance of alternative high-yield debt investments in Canadian dollars was 14.4% in 2022, with a value added of 2.8% above the benchmark. The following table presents returns in local currencies for 2022. The benchmark index is the annual increase of CPI +5%; it should be noted that a comparison of the performance of managers of similar approaches is also relevant in the short and medium term. As such, the Master Trust's alternative high-yield debt managers are performing well compared to their peers.

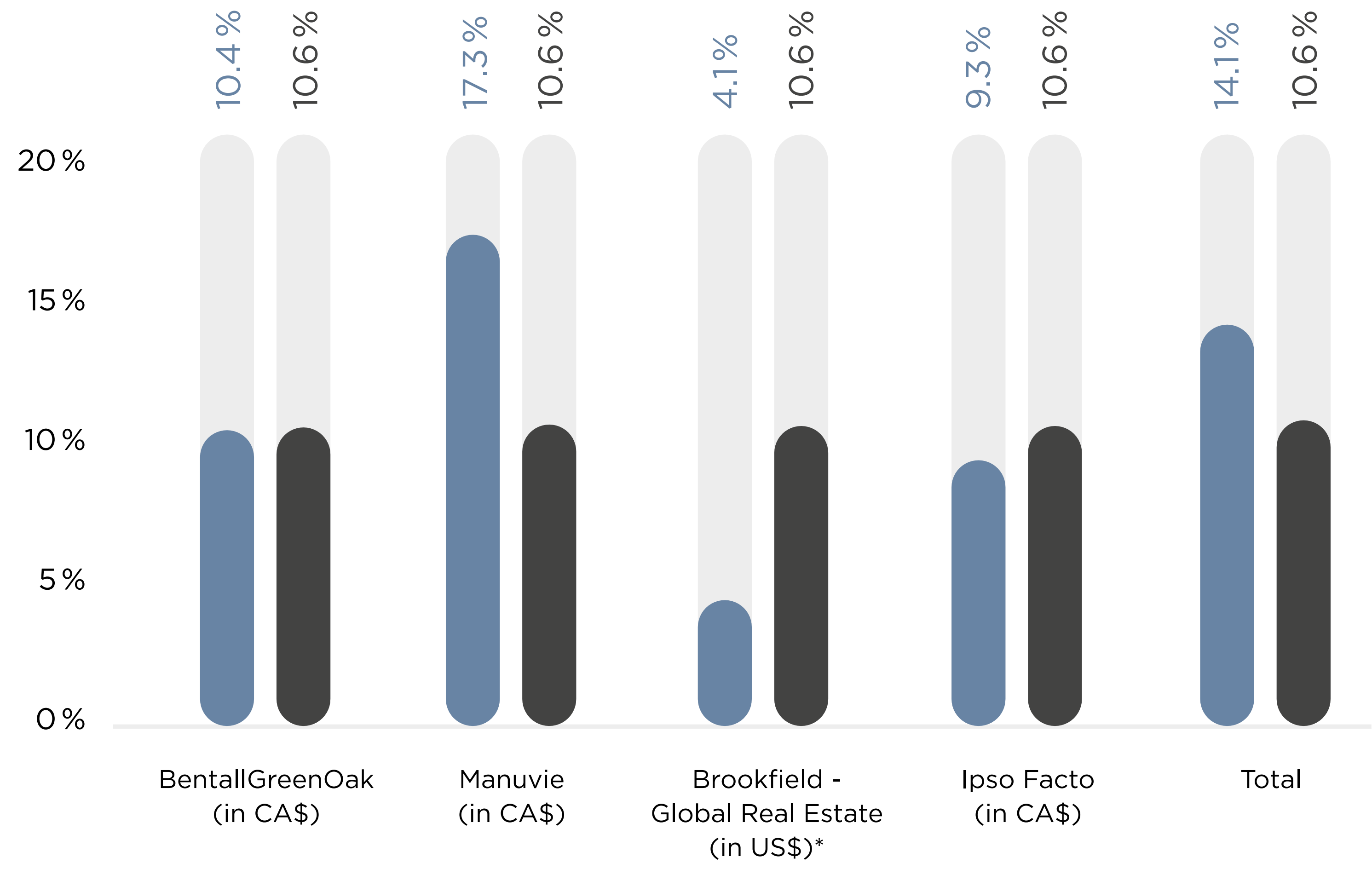


*Return of 14.6% in Canadian currency for 2022.
**Return of 13.7% in Canadian currency for 2022.
***Return of 19.7% in Canadian currency for 2022.
****Return of 14.5% in Canadian currency for 2022.
****Return of 22.0% in Canadian currency for 2022.

2. REAL ESTATE INVESTMENT PERFORMANCE IN 2022

As at December 31, 2022, real estate investments are managed by BentallGreenOak, Manulife, Brookfield, and Ipso Facto, and posted a return in Canadian dollars of 14.1% for 2022.

The following table presents returns in local currencies for 2022. The benchmark index is the annual increase of CPI +4%; it should be noted that manager performance comparison is also relevant in the short and medium term. As such, the Master Trust's real estate managers are performing well compared to their peers.

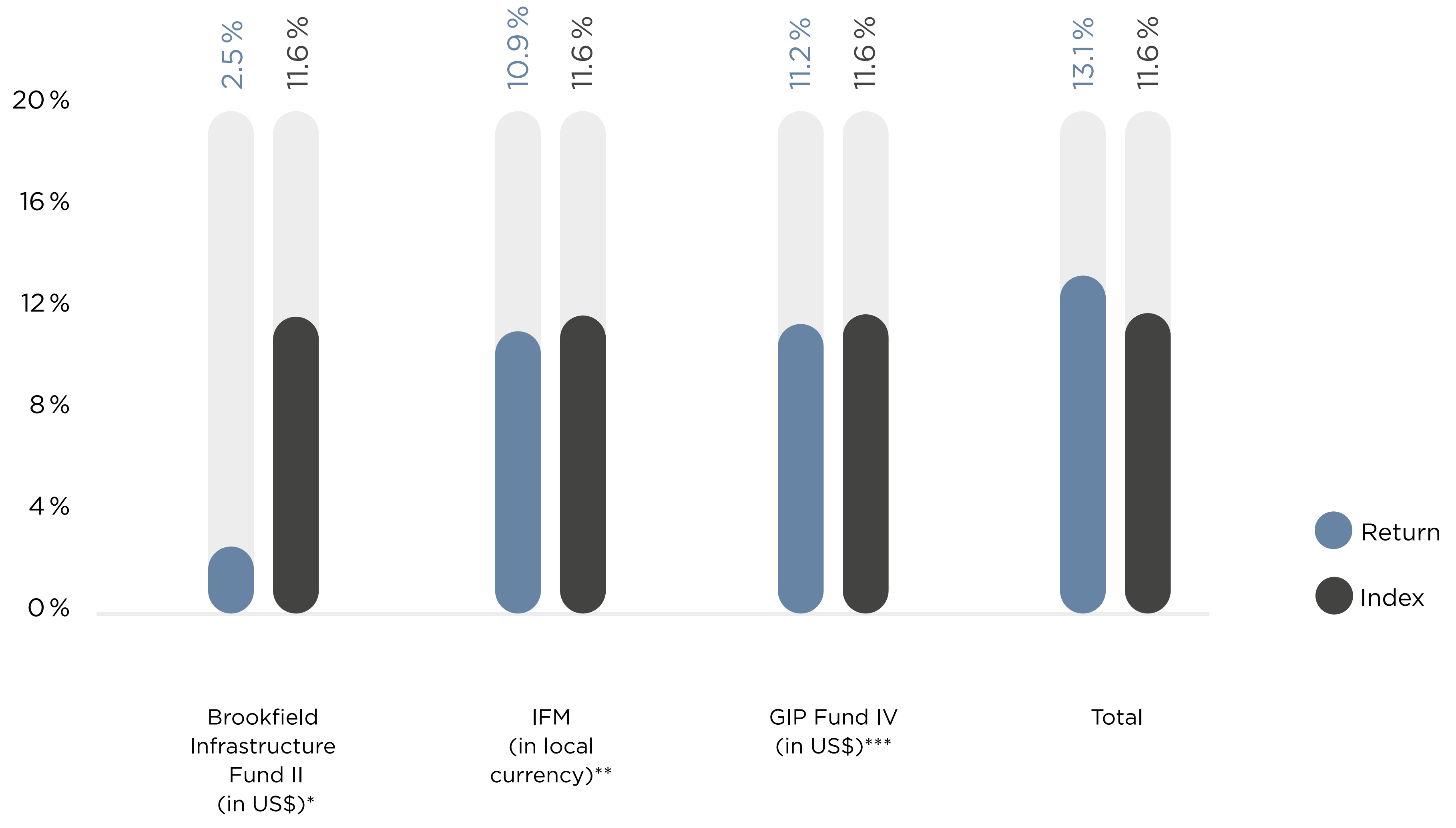


*Return of 11.7% in Canadian currency for 2022

3. INFRASTRUCTURE INVESTMENT PERFORMANCE IN 2022

As at December 31, 2022, infrastructure investments are managed by Brookfield, IFM and GIP. Furthermore, to pursue the deployment in infrastructure strategies, additional assets were committed, including US$10M in an impact fund aimed at reducing carbon emissions. Finally, as the Brookfield Global Transition Fund is in the early stages of development, the manager's performance is not yet representative and is therefore not presented.

The performance of infrastructure investments in Canadian dollars was 9.1% in 2022, with a value added of 6.9 % above the benchmark index. The following table presents returns in local currencies for 2022. The benchmark index is the annual increase in CPI +5%; it should be noted that manager performance comparison is also relevant in the short and medium term. As such, the Master Trust's infrastructure managers are performing well compared to their peers.



*Return of 19.4% in Canadian currency for 2022.

** Return of 10.5% in Canadian currency for 2022.

*** Return of 18.6% in Canadian currency for 2022.

D. IMPACT OF THE U.S. DOLLAR

The Master Trust is exposed to several currencies, including the U.S. dollar, which accounts for the largest exposure after the Canadian dollar. The total exposure used for hedging at the end of 2022 was US$253 million. In order to manage the exchange rate variation risk between the U.S. and Canadian dollars for the Master Trust, a hedging strategy for a portion of U.S. dollar exposure is in place.

Currency hedging was maintained at 50% for 2022 and a dynamic hedging policy is maintained.

Throughout 2022, the Canadian dollar lost ground against the U.S. dollar from $0.79 to $0.74. Against the backdrop of an overall depreciation of the loonie, investments exposed to the U.S. dollar performed better when converted into Canadian dollars. That said, in this context, the hedging strategy of the U.S. dollar was detrimental to the overall returns (-1.1%).

Global equities include approximately 70% exposure to the U.S. dollar. Currency fluctuations improved global equity returns from -16% in local currencies to -12.2% when considering foreign currency exposure.

Several investments in global infrastructure and real estate are made in U.S. dollars and have been positively affected by the appreciation of the Canadian dollar. For example, Brookfield's return in global real estate of 4.2% in U.S. dollars is equal to 11.7% in Canadian dollars.

FINANCIAL STATEMENTS OF THE PENSION FUND

FIRST NATIONS PUBLIC SECURITY PENSION PLAN
DECEMBER 31 2022

Deloitte.

Deloitte LLP
801 Grande Allée Ouest
Suite 350
Québec QC G1S 4Z4
Canada

Tel: 418-624-3333
Fax: 418-624-0414
www.deloitte.ca

Independent Auditor's Report

To the members of the Pension Committee of
First Nations Public Security Pension Plan
(Régime de rentes de la sécurité publique des Premières Nations)

Opinion

We have audited the financial statements of the fund of First Nations Public Security Pension Plan (Régime de rentes de la sécurité publique des Premières Nations) (the "Plan"), which comprise the statement of net assets available for benefits as at December 31, 2022, and the statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements of the fund, including a summary of significant accounting policies (collectively referred to as the "financial statements of the fund").

In our opinion, the accompanying financial statements of the fund present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2022, and the changes in its net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 12 of the *Pension Benefits Standards Act, 1985* (Canada).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements of the Fund* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements of the fund in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial statements of the fund, which describes the basis of accounting. The financial statements of the fund are prepared to assist the administrator of the Plan in meeting the requirements of the Office of the Superintendent of Financial Institutions Canada. As a result, the financial statements of the fund may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements of the Fund

Management is responsible for the preparation and fair presentation of the financial statements of the fund in accordance with the financial reporting provisions of Section 12 of the *Pension Benefits Standards Act, 1985* (Canada), and for such internal control as management determines is necessary to enable the preparation of financial statements of the fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the fund, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements of the Fund

Our objectives are to obtain reasonable assurance about whether the financial statements of the fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements of the fund.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the fund, including the disclosures, and whether the financial statements of the fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP[1]

June 5, 2023

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[1] CPA auditor, public accountancy permit No. A130560

First Nations Public Security Pension Plan
(Régime de rentes de la sécurité publique des Premières Nations)
Statement of net assets available for benefits
As at December 31, 2022

	Notes	2022	2021
		$	$
Assets			
Units held through the global trust	3	**45,947,527**	48,898,869
Accounts receivable			
Contributions receivable	4		
Employees		**174,701**	122,055
Employers		**349,402**	244,110
Accrued interest and dividends		**83,218**	105,631
Sales taxes receivable		**32,993**	34,789
Related party – Native Benefits Plan		**—**	11,309
Prepaid expenses		**2,453**	971
Cash		**333,162**	354,822
		46,923,456	49,772,556
Liabilities			
Current liabilities			
Accounts payable			
Benefits and refunds payable		**32,417**	—
Accounts payable and accrued liabilities		**44,671**	39,250
Related party – Native Benefits Plan		**499**	—
Related party – RBA Financial Group		**51,739**	34,492
Current portion of long–term debt	5	**10,000**	10,000
		139,326	83,742
Long–term debt	5	**6,667**	16,667
		145,993	100,409
Net assets available for benefits		**46,777,463**	49,672,147

The accompanying notes are an integral part of the financial statements of the fund.

On behalf of the Pension Committee

________________________________, member

Eric ________________________________, member

First Nations Public Security Pension Plan
(Régime de rentes de la sécurité publique des Premières Nations)
Statement of changes in net assets available for benefits
Year ended December 31, 2022

	Notes	**2022**	2021
		$	$
Increase in net assets			
Investment income from the units held through the global trust	3	**(4,340,414)**	3,291,342
Other revenues		**11,733**	5,746
Contributions	4		
Employees		**949,656**	808,403
Employers		**1,895,261**	1,616,475
Redemption of past services		**186,319**	259,110
Transfers from other plans		**684,773**	—
		(612,672)	5,981,076
Decrease in net assets			
Administration expenses			
Management expenses	8	**180,000**	180,000
Management fees on investments	9	**118,718**	126,680
Professional fees – actuaries		**90,523**	81,803
Professional fees – audit		**20,000**	9,675
Professional fees – other		**1,012**	(19,445)
Cost of meeting and committee meetings		**55,285**	58,024
Office of the Superintendent of Financial Institutions		**2,710**	2,540
Marketing and development		**9,736**	10,707
		477,984	449,984
Benefits paid		**1,039,013**	961,876
Refunds and transfers			
Cash refunds		**224,681**	91,381
Refunds to financial institutions		**334,256**	94,687
Other transfers		**206,078**	16,548
		2,282,012	1,614,476
Net (decrease) increase in net assets		**(2,894,684)**	4,366,600
Net assets available for benefits, beginning of year		**49,672,147**	45,305,547
Net assets available for benefits, end of year		**46,777,463**	49,672,147

The accompanying notes are an integral part of the financial statements of the fund.

1. Description of the plan

The following description of First Nations Public Security Pension Plan (Régime de rentes de la sécurité publique des Premières Nations) (the "Plan") is a summary only. For more complete information, refer to the Plan Agreement.

General

The Plan offers to all policemen, firemen and special constables a contributory defined benefit pension plan. In accordance with the Plan, the contributions are paid by the employers and the participants. Eligible employer is, generally, a native band or organization whose membership request has been accepted by the Pension Committee. The Plan is registered under the*l Pension Benefits Standards Act, 1985* (Canada), registration number 55864.

Funding policy

In accordance with the *Pension Benefits Standards Act, 1985* (Canada)*,* participating employers in the Plan must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of an annual actuarial valuation or according to the Pension Committee's approval (Note 4).

Normal date of retirement

The normal date of retirement is the year when participants reach the age of 65.

Service pension

A service pension is available based on the number of years of service multiplied by 2.00% of the best three years' average salary for all years of participation. In addition to the pension base, a temporary pension is paid up to 65 years old based on 0.25% of the best three years' average salary multiplied by the number of recognized years of contribution as at December 31, 2001.

Survivor pension

The spouse will receive a pension equal to 66⅔% of the calculated pension, plus an increase of 33⅓% for each child up to 100%. If there is no spouse, the value of acquired pension is payable to beneficiaries.

Benefit for early retirement

Any participant can take an early retirement without actuarial reduction if he or she respects certain conditions. Furthermore, it is also possible to take an early retirement with reduction 10 years from the normal date of retirement without reduction.

Benefit and reimbursement in case of departure

A participant who ceases to be an employee is entitled to the value of his or her assets. However, if eligible to receive a pension, he or she cannot obtain a refund, unless the pension is less than 4% of the maximum pensionable earnings.

Income taxes

The Plan is a registered pension trust as defined in the *Income Tax Act* and is not subject to income taxes.

1. Description of the plan (continued)

Asset management entrusted to the global trust

Investments are expressed as the number of units held in the matching fund and the balanced growth fund through the matching fund and the balanced growth fund through the global trust. Each unit allows its holder to participate in the net assets and returns in the funds held. The global trust was created with Fiducie Desjardins as its custodian of values in order to administer other pension plans within a shared structure.

2. Accounting policies

Basis of presentation

These financial statements of the fund have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by Section 12 of the *Pension Benefits Standards Act, 1985* (Canada). The basis of accounting used in these financial statements of the fund materially differs from Canadian accounting standards for pension plans because it does not include information with respect to pension obligations and related disclosures. Consequently, these financial statements of the fund do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

The Plan has chosen to comply with Canadian accounting standards for private enterprises contained in Part II of the *CPA Canada Handbook* for accounting methods that do not concern its investment portfolio, as long as these standards do not conflict with the requirements of Section 4600.

Investments

Investments are accounted for at fair value. The variance between the fair value of investments and their carrying value at the beginning and at the end of the year is accounted for as *Investment income from the units held through the global trust.*

Other financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Plan becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost with the exception of investments and derivative financial instruments. The fair value quote received from the bank counterparty is used as a proxy for the fair value of derivative financial instruments.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated in Canadian dollars at the exchange rate in effect at the end of the year. The elements of the changes in net assets available for benefits are translated at the exchange rate when the transactions occur. The gains or losses from the fluctuation of the exchange rate are accounted for in the statement of changes in net assets available for benefits under the *Investment income from the units held through the global trust* account.

Use of estimates

The preparation of financial statements of the fund requires management to make estimates that affect the amounts of assets and liabilities reported in the financial statements of the fund. Those estimates also affect the disclosure of contingencies at the date of the financial statements of the fund. The fair value of investments is included among the major components of the financial statements of the fund requiring management to make estimates. Actual results could differ from those estimates.

3. Units held through the global trust

The investment structure of the global trust was changed in 2018. The Plan's assets are now invested in two distinct funds created within the global trust: a matching fund and a balanced growth fund. Fiducie Desjardins has custody of the securities. Units held by the Plan in the global trust's funds are detailed as follows:

	2022	2021
	$	$
Matching fund (1 592 776.3677 units held representing 6.05%), (1,631,779.3124 units held in 2021 representing 6.00%)	**14,960,848**	18,025,280
Balanced growth fund (3 058 165.994 units held representing 4.21 %), (2,760,669.6394 units held in 2021 representing 4.09%)	**30,986,679**	30,873,589
	45,947,527	48,898,869

The composition of the investments held by the Plan via the units held in the matching fund and the balanced growth fund through the global trust is as follows:

	2022	2021
	$	$
Cash held for investments	**729,390**	507,047
Money market	**3,065**	148,224
Canadian bonds (yield between 1.90% and 6.65%)	**12,072,546**	16,029,035
Bank loans	**—**	808,919
Private debt	**5,233,952**	2,917,989
Canadian shares	**3,383,924**	4,851,687
International shares	**4,654,256**	5,885,681
Foreign investment funds		
Global large cap funds	**2,822,469**	—
Global small cap funds	**2,263,572**	2,622,609
Emerging market funds	**1,855,323**	4,877,502
Alternative investments		
Real estate funds	**6,258,320**	5,930,556
Infrastructure funds	**6,663,449**	4,292,820
Foreign exchange contract (Note 11)	**7,261**	26,800
	45,947,527	48,898,869

Revenue generated by the composition of investments held by the Plan is as follows:

	2022	2021
	$	$
Revenues on investments	**344,086**	1,064,074
Current period change in fair value of investments and gain on sale of investments	**(4,684,500)**	2,227,268
	(4,340,414)	3,291,342

4. Funding policy

Under the terms of the Plan, member participants' contributions are 9.5% for employees who do not contribute to Retraite Québec and 8.0% for employees contributing to Retraite Québec. Employers must provide the balance of funding needed, as determined by actuarial valuations, so that benefits are fully formed at the time of retirement of members.

Until the next actuarial valuation, the employer's contribution is set to 200.0% of the member participants' contributions. The most recent actuarial valuation of capitalization was carried out by Normandin Beaudry on January 1, 2022.

5. Long–term debt

In 2021, the Plan received funding of $40,000 consisting of a $30,000 non-interest bearing loan (0%), payable in 36 equal and consecutive monthly payments, and a non-repayable contribution of $10,000.

The capital payments required over the next two years are as follows:

	$
2023	10,000
2024	6,667

6. Commitments

Under agreements with portfolio managers and a security custodian, the Plan has committed to pay management fees based on the fair value of the Plan's assets. Those agreements can be terminated upon a 30-day notice.

The Pension Committee committed, via the global trust, to investing some amounts in private investments through a call for capital. As at December 31, 2022, the following amounts remain to be called:

- $2,400,000 in Partnership Ipso Facto VII;
- US$13,600,000 in Brookfield Global Transition Fund;
- US$22,500,000 in Brookfield Infrastructure Fund V;
- $4,300,000 in Fiera Private Debt Fund VI;
- US$13,100,000 in Crescent Fund – CDL III;
- US$11,100,000 in Crescent Fund – CCS VIII;
- US$16,100,000 in Brookfield Real Estate Finance Fund VI;
- $11,400,000 in Penfund VII;
- US$3,600,000 in GIP Infrastructure Fund IV;
- US$10,000,000 in IFM U.S. NZI Fund;
- US$12,000,000 in Neuberger Berman Fund IV (without financial leverage);
- US$2,500,000 in Neuberger Berman Fund IV (with financial leverage); and
- US$500,000 in Portfolio Advisors PADCOF III;

These amounts represent the total commitments to be deployed by the global trust through the matching fund and the balanced growth fund. The Plan holds some 6.05% of the total number of units in the matching fund and 4.21% of the total number of units in the balanced growth fund.

7. Capital management

The Plan's objective when managing capital is to guarantee the integral capitalization of the long-term benefits. The Plan manages its investments in order to generate a return making it possible to achieve this goal. The Pension Committee established an investment policy in order to guide the portfolio managers toward the realization of this objective.

An actuarial valuation must be filed with the authority of regulation at least every three years. If the Plan is overdrawn, an actuarial valuation including a plan of elimination of any deficit must be filed with the authority of regulation every year.

8. Related party transactions

In 2022, the Plan paid management fees of $180,000 ($180,000 in 2021) to RBA Financial Group. Related party transactions also took place between the Plan and Native Benefits Plan. These transactions took place in the normal course of business and were measured at the exchange amount.

9. Investment management fees

The investment management fees, shown in the statement of changes in net assets available for the service of pension fund benefits, represent the management fees paid directly by the Global Trust of the Native Benefits Plan. For certain investments in mutual funds and private placements (real estate, infrastructure and private debt), the base and performance fees of the managers are taken from the market value of the units held by the Global Trust in the current year in which they occur.

10. Financial instruments

The Plan has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. The following analysis provides a measurement of risk as at December 31, 2022.

The objective of risk management is to achieve a diversification of risks and returns in order to minimize the likelihood of an overall reduction in total Plan value and maximize the opportunity for gains over the entire portfolio. The trustees also manage the liquidity risk so that there is sufficient liquidity to meet current benefit payments and to give the Plan the ability to adjust the asset mix in response to the changes in the market conditions.

Policies

Through its Investment Committee, the Pension Committee has developed an investment policy addressing the manner in which the Plan shall be invested. Investments shall be selected and held in accordance with the criteria and limitations set forth in the policy and in accordance with the relevant legislation. The policy is reviewed at least annually.

The investment policy includes guidelines on asset mix and risk allocation. The document lists the investment constraints, for example, the maximum exposure permitted for a single issuer, the liquidity requirements, and currency management. The policy also identifies the authorized counterparties and includes the approval requirements and trading limits.

The Investment Committee meets regularly to assess the investment risk associated with the portfolio and determine action plans, if required.

The risk management strategy of the Plan has not changed during the year ended December 31, 2022.

10. Financial instruments (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of the Plan's financial instruments will fluctuate because of changes in market prices. Market risk is composed of currency risk, interest rate risk and other price risk. The Plan is exposed to certain of these risks, as described below.

a) Currency risk

Currency risk arises from the Plan’s holdings of foreign currency-denominated investments through units held in the matching fund and the balanced growth fund through the global trust. As at December 31, 2022, the Plan’s exposure to currency risk in Canadian dollars is $17,348,972 ($19,313,966 as at December 31, 2021). The U.S. dollar currency is covered for 53.04% by a foreign exchange contract (Note 11). As at December 31, 2022, a 1% change in exchange rate between the Canadian dollar and any other currency would have a $171,772 ($191,227 as at December 31, 2021) impact on the Plan’s foreign currency-denominated investments through units held in the global trust and net assets.

b) Interest rate risk

Interest rate risk refers to the effect on the fair value of the Plan’s assets due to fluctuations in interest rates. The fair value of the Plan’s assets is affected by short-term changes in interest rates.

A 1% increase or decrease in interest rates would result respectively in a decrease or an increase of $2,202,001 ($2,795,754 as at December 31, 2021) in the value of the units held in the matching fund and the balanced growth fund through the global trust in fixed income securities and net assets as at December 31, 2022.

c) Other price risk

The Plan manages the other price risk primarily through diversifying the investments held through the global trust across industry sectors and through investment strategies.

As at December 31, 2022, a 10% change in market prices of units held in the balanced growth fund would result in a $1,492,929 ($1,818,523 as at December 31, 2021) change in investments in shares and net assets of the Plan.

Credit risk

The concentration of credit risk exists when a significant part of the portfolio is invested in securities having similar characteristics or subject to similar variations linked to the economical or political conditions. The Plan established an investment policy to which portfolio managers must conform, which allows it to minimize the credit risk.

The Plan’s principal financial assets are cash, accounts receivable and investments held in the global trust, which are subject to credit risk directly and indirectly. The carrying amounts of financial assets on the statement of net assets available for benefits represent the Plan’s maximum credit exposure at the year-end date.

The Plan’s indirect credit risk is primarily attributable to its investments in bonds held through units in the matching fund and the balanced growth fund through the global trust.

The indirect credit risk associated with units held in the global trust and represented by bonds is limited, since the investment policy requires that bonds be issued or guaranteed by either the federal or provincial government, a city or a company (which can be issued in foreign currencies). Further, all bonds shall be made up of investments rated above a “DBRS” or “Standard & Poor’s” credit rating of BBB or equivalent.

10. Financial instruments (continued)

Credit risk (continued)

As at December 31, 2022, the Plan has a significant concentration of indirect risk with provincial governments, cities and other companies. This concentration relates primarily to the holding, through units held in the matching fund and the balanced growth fund through the global trust, of $76,554 ($216,220 as at December 31, 2021) of securities issued by the federal government, $10,216,566 ($12,802,139 as at December 31, 2021) of securities issued by provincial governments and $1,779,426 ($3,026,940 as at December 31, 2021) of securities issued by cities and other companies.

Liquidity risk

Liquidity risk refers to the risk that the Plan does not have sufficient cash to meet its current payment liabilities, including benefit payments, and to acquire investments in a timely and cost-effective manner.

The liquidity position of the Plan is analyzed weekly to ensure the Plan maintains a sufficient percentage of its net assets in very liquid assets such as cash. The Plan maintains, through units held in the matching fund and the balanced growth fund in the global trust, a portfolio of highly marketable assets, specifically federal and provincial government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flows.

Fair value

The fair value of cash, accounts receivable and accounts payable approximates their carrying value due to their short-term maturity.

Fair value hierarchy

Financial instruments recorded at fair value on the statement of net assets available for benefits are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

10. Financial instruments (continued)

Fair value hierarchy (continued)

The following tables present the composition of investments held by the Plan through units in the matching fund and the balanced growth fund issued by the global trust. These units are recorded at fair value in the statement of net assets available for benefits:

				2022
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Investments held in the global trust				
Cash held for investments	**729,390**	**—**	**—**	**729,390**
Money market	**3,065**	**—**	**—**	**3,065**
Canadian bonds	**—**	**12,072,546**	**—**	**12,072,546**
Private debt	**—**	**—**	**5,233,952**	**5,233,952**
Canadian shares	**3,383,924**	**—**	**—**	**3,383,924**
International shares	**4,654,256**	**—**	**—**	**4,654,256**
Global large cap funds	**2,822,469**	**—**	**—**	**2,822,469**
Global small cap funds	**—**	**2,263,572**	**—**	**2,263,572**
Emerging market funds	**—**	**1,855,323**	**—**	**1,855,323**
Real estate funds	**—**	**—**	**6,258,320**	**6,258,320**
Infrastructure funds	**—**	**—**	**6,663,449**	**6,663,449**
Foreign exchange contract	**—**	**7,261**	**—**	**7,261**
Total investments	**11,593,104**	**16,198,701**	**18,155,721**	**45,947,527**

10. Financial instruments (continued)

Fair value hierarchy (continued)

				2021
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Investments held in the global trust				
Cash held for investments	507,047	—	—	507,047
Money market	148,224	—	—	148,224
Canadian bonds	—	15,969,065	59,970	16,029,035
Bank loans	—	808,919	—	808,919
Private debt	—	—	2,917,989	2,917,989
Canadian shares	4,851,687	—	—	4,851,687
International shares	5,885,681	—	—	5,885,681
Global large cap funds	—	—	—	—
Global small cap funds	—	2,622,609	—	2,622,609
Emerging market funds	2,824,106	2,053,396	—	4,877,502
Real estate funds	—	—	5,930,556	5,930,556
Infrastructure funds	—	—	4,292,820	4,292,820
Foreign exchange contract	—	26,800	—	26,800
Total investments	14,216,745	21,480,789	13,201,335	48,898,869

During the year, there has been no significant transfer of amounts between Level 1 and Level 2.

10. Financial instruments (continued)

Fair value hierarchy (continued)

The following tables reconcile the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

				2022
	Canadian bonds	**Private debt**	**Real estate funds**	**Infrastructure funds**
	$	**$**	**$**	**$**
Fair value, beginning of year	**59,970**	**2,917,989**	**5,930,556**	**4,292,820**
Changes in net fair value in net assets available for benefits	**—**	**554,230**	**46,163**	**1,067,842**
Purchases / sales / distributions / reinvested dividends	**(59,970)**	**1,761,733**	**281,601**	**1,302,787**
Fair value, end of year	**—**	**5,233,952**	**6,258,320**	**6,663,449**

				2021
	Canadian bonds	Private debt	Real estate funds	Infrastructure funds
	$	$	$	$
Fair value, beginning of year	59,483	1,207,522	4,984,968	3,245,436
Changes in net fair value in net assets available for benefits	—	(21,255)	283,288	656,201
Purchases / sales / distributions / reinvested dividends	487	1,731,723	662,199	391,183
Fair value, end of year	59,970	2,917,989	5,930,556	4,292,820

11. Derivative financial instruments

As at December 31, 2022, the Plan, through units held in the matching fund through the global trust, held a foreign exchange contract (U.S. dollar currency sale contract), ended March 15, 2023, for a notional amount of US$26,700,000. This amount represents the total detention of the global trust while the Plan holds approximately 6.05% of the total units issued by the matching fund.

As at December 31, 2022, the Plan, through units held in the balanced growth fund through the global trust, held a foreign exchange contract (U.S. dollar currency sale contract), ended March 15, 2023, for a notional amount of US$107,700,000. This amount represents the total detention of the global trust while the Plan holds approximately 4.21% of the total units issued by the balanced growth fund.

As at December 31, 2021, the Plan, through units held in the matching fund through the global trust, held a foreign exchange contract (U.S. dollar currency sale contract), ended March 16, 2022, for a notional amount of US$9,000,000. This amount represents the total detention of the global trust while the Plan holds approximately 6.00% of the total units issued by the matching fund.

As at December 31, 2021, the Plan, through units held in the balanced growth fund through the global trust, held a foreign exchange contract (U.S. dollar currency sale contract), ended March 16, 2022, for a notional amount of US$74,300,000. This amount represents the total detention of the global trust while the Plan holds approximately 4.09% of the total units issued by the balanced growth fund.

The gains or losses from the fluctuation of the fair value of these contracts are accounted for in the statement of changes in net assets available for benefits under the *Investment income from the units held through the global trust* account.

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Régime de rentes de la sécurité publique des Premières Nations

FNPSPP
First Nations Public Security Pension Plan

2936, rue de la Faune, bureau 202
Wendake (Québec) G0A 4V0

T 418 847-1840 • 1 888 242-0277
F 418 847-3990

rbagroupefinancier.com