



ᓄᓇᓂᓪ ᓂᓂᓪᓂᓪᓂᓪ

Nunavut Katikhoivia

Nunavut Trust

ᓂᓂᓪᓂᓪᓂᓪ ᓂᓂᓪᓂᓪ
TAKUJUMINAQSITTANGIT UKUAT:
DESIGN:

ᓂᓂᓪᓂᓪᓂᓪ ᓂᓂᓪᓂᓪ
EarthLore Communications Inc.
EARTHLORE COMMUNICATIONS INC.

Photo: Angus Cockney



MESSAGE FROM THE CHAIRPERSON

In my 1999 message, I advised that Nunavut Trust expected the market returns on our investment portfolio to become single digit returns and that the current market cycle would soon enter the declining phase. Both these predictions became reality in the year 2000. In the accounting world, income is not earned until assets are sold and investment gains realized. As a result, increasing market prices are not recognized as income until the assets whose market prices increased are sold.

As market conditions began their decline, our managers restructured their portfolios selling assets thereby triggering large capital gains. By realizing large capital gains in a short period of time, the year 2000 was the most profitable year ever for Nunavut Trust. Both the excess of revenue over expenditures, and the distribution to beneficiaries reached record highs in the year 2000. In total, \$88 million of previously unrealized gains became revenue in 2000.

Since we began active operations in 1993, we have been guided by the clearly defined mandate set out in the Nunavut Trust Deed. From the outset, we have firmly believed that our goal is to invest the payments received from the Government of Canada in a portfolio of high quality, liquid investments that will appreciate in value and over a period of years to provide a high enough annual cash flow to fund beneficiary operating budgets and allow for enough portfolio growth to offset the decline in buying power caused by inflation.

Our investment focus has always been to produce reasonable long-term investment returns and to not take part in the roller coaster ride experienced by day traders and others who try to make short-

term gains. I am happy to report that the four-year average annualized rate of return achieved by Nunavut Trust was 14.6 percent. This level of performance was good enough to place us in the top quarter of all the investment funds measured by the Canadian Trust Universe Comparison Service (CTUCS, an independent performance measurement organization measuring the results of more than 500 Canadian institutional investment funds).






The year 2000 was a year of significant change for both the Trust and beneficiary organizations. Perhaps the most important activity that will have a long-term impact on the assets of the Trust was the joint review of the original 15-year plan by the staff of both NTI and the Trust. Requests for funding

under the updated plan included the creation of a new beneficiary organization, the Nunavut Economic and Social and Development Trust Inc., put into place to provide \$50 million of new funding over a 5-year period to Atuqtuarvik Corporation, an immediate 50% increase in core funding to NTI's operating budget, the provision of additional funding to cover NTI's budget overrun in fiscal 2000/2001, and a 50% increase in the monthly Elders' benefit. Trustees were asked to determine if, given the Trust's strong investment returns over the last few years, these operational needs could be accommodated while still preserving the original goal established in the 1994 15-Year Plan.

To meet the funding requirements, the Trustees had to adopt a more aggressive investment return target. In turn, the more aggressive target requires us to take on some additional portfolio risk and adopt a more aggressive portfolio asset mix.

Return on Investment

The Trust Deed clearly defines the goals that are set for the Trustees to achieve. These are:

-  To invest as a prudent person would
-  To attempt to generate sufficient annual net income to allow the beneficiary corporations to meet their responsibilities to the Inuit of Nunavut
-  To attempt to ensure that the Net Capital of the Trust maintains its buying power for future generations.

For the purpose of long term financial planning, the Trustees adopted as a long-term rate of return, the objective of inflation plus 3.5% per annum net of operating expenses. The selection of a real

(after inflation) rate of return is critical given the requirement that the Trustees preserve the real buying power of Trust capital for future generations.

Investment returns are calculated periodically by an independent outside performance measurement service, the Canadian Trust Universe Comparison Service (CTUCs). CTUCs measures the investment returns being achieved by more than 500 major Canadian pension funds and endowments and compares Trust results to market benchmarks and to this illustrious peer group. At the end of 2000, the reported CTUCS returns were as follows:

ANNUAL TIME WEIGHTED PORTFOLIO RATES OF RETURN [TWRR] VS BENCHMARKS	2000	1999	1998	1997	1996
Actual	9.33%	17.14%	17.20%	14.80%	17.60%
Benchmark	3.09%	14.31%	12.40%	12.70%	16.10%
Median	9.78%	10.38%	7.60%	14.50%	19.30%

CUMULATIVE ANNUALIZED TWRR	Last 1 Year	Last 2 Years	Last 3 Years	Last 4 Years
Actual	9.33%	13.22%	14.53%	14.6%
Benchmark	3.09%	8.51%	9.45%	10.59%
Median	9.78%	10.1%	10%	11.78%

to preserve the real **buying**

power of trust capital
for future generations

ASSET CUSTODY

Although the investment counsellors are given the authority to determine the selection of individual companies in which Nunavut Trust invests and the weights that each will have within their mandates, they do not physically hold Trust assets within their accounts. Instead to provide a segregation of duties, Nunavut Trust employs the services of one or more major trust companies specializing in the settlement of security transactions. Based on trading instructions provided by the investment counsellor, the Custodian effects the investment transactions and holds the securities of the Trust in segregated investment accounts.

ADMINISTRATION

A small office staff of five carries out the administrative duties on behalf of the Trustees. Trust staff are responsible for the accounting, reporting and support activities associated with trust operations. In-house staff include a Chief Executive Officer, a Chief Financial Officer, a Corporate Secretary, an Investment Analyst Trainee and an Administrative Assistant. They are supported by external professionals including a legal advisor (Arthur B. C. Drache, Q.C.) and KPMG the external audit firm responsible for the annual external audit of Trust financial statements and the review of income tax returns.

Article 31 of the Nunavut Land Claim Agreement required that Nunavut Trust be created prior to the ratification of the land claim. Article 31 provides that all Inuit of Nunavut can receive copies of the Nunavut Trust Deed and the Annual report of the Trust should they so desire.

to produce

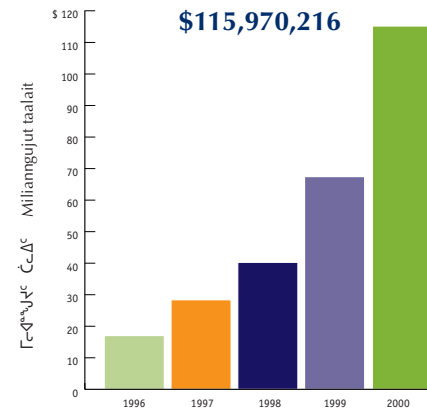
reasonable long-term investment returns



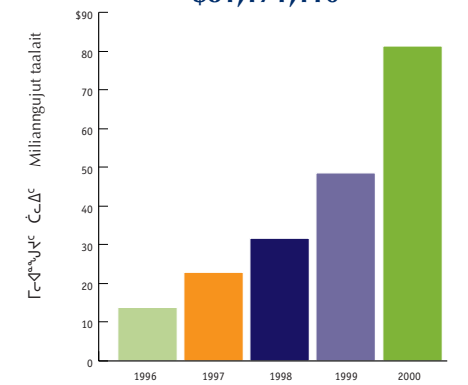


ᓄᓇᓂᓪᓃᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ NAITTUMIK UNIKKAAQTAUJUT

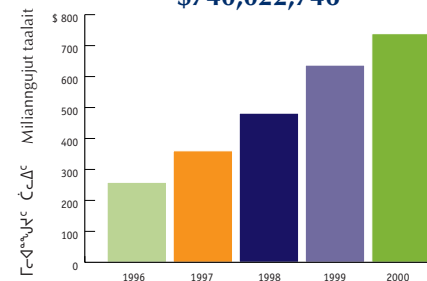
ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ
Qiturngiurutinit kiinaujaliuqtaujut
\$115,970,216



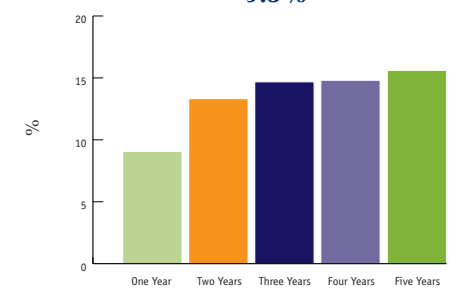
ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ
Puuqtaujut ammalu angilligiarnirmut qaitaujut
\$81,171,110



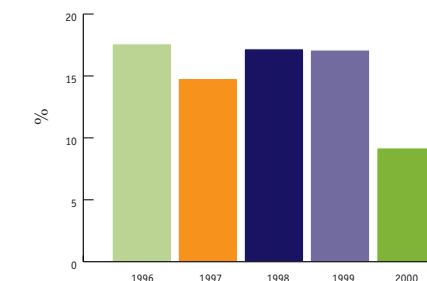
ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ
Puuqtaujut ammalu angilligiarnirmut qaitaujut
\$740,022,746



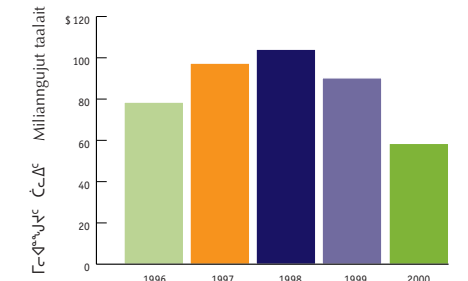
ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ
Papatausimajut pivalliasimaningit - katillugit
9.3%



ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ
Papatausimajut pivalliasimaningit - arraagulimaarmut
9.3%



ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ
Tungavikkunnit ammalu inutuqai utiqtitaujumaagtuksak
\$59,004,686



ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ ᓂᓄᓪᓗ

MANIKHAKHEOGAGANI

TAEMA PITEAKTUTUN INUKTUN

AUDITOR'S REPORT TO THE TRUSTEES

We have audited the balance sheet of Nunavut Trust as at December 31, 2000 and the statements of revenue and expenditure, capital and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting

principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Ottawa, Canada

March 9, 2001

ᓄᓇᓂᓪ ᓂᓂᓪᓂᓄᓪᓂᓪ ᓄᓇᓂᓪ ᓂᓂᓪᓂᓄᓪᓂᓪ ᓄᓇᓂᓪ ᓂᓂᓪᓂᓄᓪᓂᓪ

MANIKHAKPALEAYAGANI HIVUNIKHAMI NAKUYUNIK

Balance Sheet

December 31, 2000, with comparative figures for December 31, 1999

	2000	1999
Assets		
Invested assets:		
Cash and treasury bills (note 2)	\$ 60,868,123	\$ 39,333,213
Investments (note 3)	620,999,566	493,757,030
	681,867,689	533,090,243
Accrued investment income	4,499,898	3,359,705
Amounts receivable (note 4)	90,930	1,252,237
Fixed assets (note 5)	150,537	172,066
	\$ 686,609,054	\$ 537,874,251
Liabilities and Capital		
Current liabilities:		
Accrued liabilities	\$ 619,458	\$ 719,874
Due to Nunavut Tunngavik Incorporated	-	4,853
Due to beneficiaries (note 6)	44,414,356	44,855,276
	45,033,814	45,580,003
Capital (note 7)	641,575,240	492,294,248
Commitments (note 9)		
	\$ 686,609,054	\$ 537,874,251

See accompanying notes to financial statements.

Statement of Revenue and Expenditure

Year ended December 31, 2000, with comparative figures for 1999

	2000	1999
Revenue		
Interest	\$ 20,227,299	\$ 15,495,638
Dividends	5,628,987	3,376,438
Gain on sale of investments	88,823,574	47,261,476
Royalty	1,289,717	1,316,643
Other	639	-
	115,970,216	67,450,195
Expenditure		
Professional fees	2,735,744	2,247,302
Foreign exchange losses	2,196,976	4,029,095
Salaries and benefits	431,471	340,961
Travel and accommodations	401,470	292,844
Communications	20,313	4,966
Printing	37,970	48,684
Trustee fees	159,900	106,000
Rent	72,671	73,659
Translation	7,517	1,175
Foreign taxes	279,566	61,534
Office	42,552	52,376
Advertising and promotion	6,199	24,464
Professional development	2,171	6,205
Depreciation	31,380	26,366
Loss on sale of fixed asset	-	3,877
Bank charges	42	1,511
	6,425,942	7,321,019
Excess of revenue over expenditure	\$ 109,544,274	\$ 60,129,176

Statement of Capital

Year ended December 31, 2000, with comparative figures for 1999

	2000	1999
Capital, beginning of year	\$ 492,294,248	\$ 377,111,356
Capital contributions from Government of Canada	89,682,231	89,682,231
Capital loans related to repayment of negotiation loans (note 7)	(4,856,389)	(4,856,389)
Excess of revenue over expenditure	109,544,274	60,129,176
Distribution to beneficiaries	(81,171,110)	(48,504,897)
Repayment from beneficiaries of capital loans (note 8)	38,192,886	20,401,671
Capital loans to beneficiaries (note 8)	(2,110,900)	(1,668,900)
Capital, end of year	\$ 641,575,240	\$ 492,294,248

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2000, with comparative figures for 1999

	2000	1999
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditure	\$ 109,544,274	\$ 60,129,176
Depreciation, which does not involve cash	31,380	26,366
Loss on sale of fixed assets	-	3,877
Gain on sale of investments	(88,823,574)	(47,261,476)
	20,752,080	12,897,943
Increase in accrued investment income	(1,140,193)	(92,037)
Decrease in amounts receivable	1,161,307	882,418
(Decrease) increase in accrued liabilities	(100,416)	258,738
(Decrease) in due to Nunavut Tunngavik Incorporated	(4,853)	(60,910)
	20,667,925	13,886,152
Investments:		
Purchases of investments	(553,492,520)	(454,513,504)
Proceeds from sale of investments	515,073,558	390,289,530
Purchase of fixed assets	(9,851)	(21,318)
Proceeds from sale of fixed assets	-	1,887
	(38,428,813)	(64,243,405)
Financing:		
Capital contributions	89,682,231	89,682,231
Distribution to beneficiaries	(81,171,110)	(48,504,897)
(Decrease) increase in due to beneficiaries	(440,920)	4,992,743
Capital loans to beneficiaries	(2,110,900)	(1,668,900)
Repayment of capital loans to beneficiaries	38,192,886	20,401,671
Capital loans related to repayment of negotiation loans	(4,856,389)	(4,856,389)
	39,295,798	60,046,459
Increase in cash and cash equivalents	21,534,910	9,689,206
Cash and cash equivalents, beginning of year	39,333,213	29,644,007
Cash and cash equivalents, end of year	\$ 60,868,123	\$ 39,333,213

The Trust considers cash and cash equivalents to be highly liquid investments

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2000

The Trust was created on April 23, 1990 by deed of trust.

The purpose of the Trust is to manage on behalf of the beneficiaries, capital transfers paid to the Inuit of Nunavut pursuant to the Nunavut Land Claims Agreement with the Government of Canada.

1. Significant accounting policies:

- (a) Fixed assets:
Fixed assets are stated at cost. Depreciation is provided using the following annual rates and basis:

Asset	Basis	Rate
Office equipment	Declining balance	20%
Leasehold improvements	Straight line	Lease term

Sculptures are not being depreciated.

- (b) Treasury bills:
Treasury bills are recorded at cost. Interest is accrued as earned.
- (c) Investments:
Bonds and stocks are carried at cost. Interest is accrued as earned and dividends are accrued when declared.
- (d) Use of estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the period. Actual results could differ from those estimates.

2. Cash and treasury bills:

	2000	1999
Cash	\$ 5,869,600	\$ 7,263,366
Treasury bills	54,998,523	32,069,847
	\$ 60,868,123	\$ 39,333,213

