Financial Statements of

NUNAVUT TRUST

Year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Trustees of Nunavut Trust

We have audited the accompanying financial statements of Nunavut Trust, which comprise the statement of financial position as at December 31, 2013, the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nunavut Trust as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 22, 2014

Ottawa, Canada

NUNAVUT TRUST

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Cash and cash equivalents (note 5)	$ 33,556,220	$ 38,972,452
Invested assets (note 6):		
Investments	1,229,236,660	999,751,966
Investments on loan (notes 6 and 11)	102,188,380	100,821,371
	1,364,981,260	1,139,545,789
Accrued dividend income	1,048,274	1,221,175
Property and equipment	–	47,516
	$ 1,366,029,534	$ 1,140,814,480
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 1,666,998	$ 1,193,753
Net assets	1,364,362,536	1,139,620,727
Commitments (note 9)		
	$ 1,366,029,534	$ 1,140,814,480

The accompanying notes are an integral part of these financial statements.

On behalf of the Trustees:

______________________________ Trustee

NUNAVUT TRUST

Statement of Comprehensive Income

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Investment income:		
Dividends	$ 21,845,934	$ 25,399,417
Interest	8,898,826	9,955,727
Limited partnership and pooled fund distributions	2,500,394	52,817
Net realized gain (loss) on sales of investments	86,504,282	(12,832,653)
Change in fair value of financial instruments at fair value through profit or loss	157,612,987	85,081,180
Foreign exchange gains (losses)	1,039,705	(181,231)
Other	392,839	10,614
	278,794,967	107,485,871
Investment portfolio management expenses:		
Investment management fees	6,458,503	5,137,920
Foreign taxes paid	1,379,824	1,786,650
Transaction costs	378,386	259,079
	8,216,713	7,183,649
Investment income, net of investment portfolio management expenses	270,578,254	100,302,222
Office administration expenses:		
Salaries and benefits	870,088	769,322
Professional fees	473,681	341,282
Travel and accommodations	301,022	285,846
Rent	136,673	137,207
Trustee fees	62,713	60,500
Office and administration	61,049	26,946
Printing	19,835	24,984
Translation	11,963	14,239
Depreciation	47,516	9,154
Professional development	1,565	3,621
Communications	23,182	4,576
	2,009,287	1,677,677
Increase in net assets	$ 268,568,967	$ 98,624,545

The accompanying notes are an integral part of these financial statements.

NUNAVUT TRUST

Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Balance, beginning of year	$ 1,139,620,727	$ 1,078,804,601
Increase in net assets	268,568,967	98,624,545
Net distributions:		
Distribution to beneficiaries (note 10)	(68,222,403)	(26,720,330)
Capital loan repayment from beneficiaries (note 10)	24,395,245	(11,088,089)
	(43,827,158)	(37,808,419)
Balance, end of year	$ 1,364,362,536	$ 1,139,620,727

The accompanying notes are an integral part of these financial statements

NUNAVUT TRUST

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Cash flows from operating activities:		
Increase in net assets	$ 268,568,967	$ 98,624,545
Adjustments for:		
Depreciation	47,516	9,154
Increase in investments fair market value	(157,612,987)	(85,081,180)
Net realized (gain) or loss on sale of investments, excluding treasury bills	(86,504,282)	12,832,653
Short-term investment fund gains	1,826,116	–
Interest income recognized	(8,898,826)	(9,955,727)
Dividend income recognized	(21,845,934)	(25,399,417)
Interest received	9,715,043	10,091,200
Dividends received	22,018,835	25,766,344
Change in accrued interest included in fair value adjustment	(816,217)	(135,473)
Increase in amounts receivable	–	42,040
Increase (decrease) in accrued liabilities	473,245	(945,069)
Net change in treasury bills with maturities beyond three months (including those on loan)	1,146,344	640,567
Purchases of investments, excluding treasury bills	(548,644,612)	(520,816,330)
Proceeds from sale of investments, excluding treasury bills	558,595,058	554,721,683
	38,068,266	60,394,990
Cash flows from financing activities:		
Net distributions to beneficiaries	(43,827,158)	(37,808,419)
Increase (decrease) in cash and cash equivalents	(5,758,892)	22,586,571
Cash and cash equivalents, beginning of year	38,972,452	16,307,057
Foreign exchange impact on cash and cash equivalents	342,660	78,824
Cash and cash equivalents, end of year	$ 33,556,220	$ 38,972,452

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

The accompanying notes are an integral part of these financial statements.

1. Reporting entity:

Nunavut Trust (the "Trust") is domiciled in Canada and was created on April 23, 1990 by deed of trust. The address of the Trust's registered office is 50 O'Connor Street, Suite 1415, Ottawa, Ontario, Canada, K1P 6L2. 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.

2. Basis of preparation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements were authorized for issue by the Board of Trustees on May 22, 2014.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except financial instruments at fair value through profit or loss which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Significant estimates are used primarily in the valuation of real estate and infrastructure investments. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Further information about the assumptions made in measuring fair values is included in notes 6(b) and (c).

3. Change in accounting policies:

Except for the changes below, the Trust has consistently applied the accounting policies set out in Note 4 to all periods presented in these consolidated financial statements.

(a) Adoption of IFRS 13 *"Fair Value Measurement":*

In 2013, the Trust adopted IFRS 13 with a date of initial application of 1 January 2013. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurement in other IFRSs. As a result, the Trust has included additional disclosures in this regard in Note 6.

Upon adoption of IFRS 13, the fair value measurement of financial assets measured at fair value through profit or loss was changed from bid prices to close-of-market prices, the former being the required fair value basis for an asset under IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39). In accordance with the transitional provisions of IFRS 13, the Trust has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures.

Notwithstanding the above, the change had no significant impact on the measurement of the Trust's assets and liabilities.

(b) IAS 32 and IFRS 7 *"Offsetting Financial Assets and Liabilities":*

In December 2011 the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. The amendments clarify whether an entity has the legally enforceable right to offset rights and clarifies settlement mechanisms. The Trust has adopted the amendments to IFRS 7 and early adopted the amendments to IAS 32 resulting in no changes to the financial statements.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

(a) Financial instruments:

Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. Upon initial recognition, all financial assets are classified based on the nature and purpose of the financial instrument, or as designated by the Trust, as (i) fair value through profit or loss, (ii) held-to-maturity investments, (iii) loans and receivables or (iv) available-for-sale financial assets. All financial liabilities are classified or designated as (i) financial liabilities at fair value through profit or loss or (ii) other financial liabilities.

Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a settlement-date basis. Transaction costs for financial assets classified as loans and receivables and financial liabilities classified as other liabilities are capitalized. Transaction costs for financial assets at fair value through profit or loss are recognized as expenses in profit or loss as incurred.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Trust has a legal right to offset the amounts and intends either to settle them on a net basis or realise the asset and settle the liability simultaneously.

4. Significant accounting policies (continued):

(a) Financial instruments (continued):

The Trust has the following financial instruments:

(i) Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at fair value through profit or loss if the Trust manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Trust's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend or interest income, are recognised in profit or loss.

Financial assets at fair value through profit or loss consist of cash and cash equivalents, investments and investments on loan. Cash and cash equivalents comprise cash balances and treasury bills with maturities of three months or less. Investments consist of bonds and stocks held by the custodian and managed by the Trust's various fund managers; treasury bills with maturities exceeding three months; investments in pooled funds; and investments in limited partnerships. Investments on loan consist of bonds, stocks, and treasury bills that the custodian has loaned to reputable broker/dealer in return for a fee (note 11).

(ii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables which are included in amounts receivable.

4. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) Loans and receivables (continued):

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Trust on terms that the Trust would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

(iii) Other financial liabilities:

Accounts payable and accrued liabilities are classified as other financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(b) Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars which is the Trust's presentation and functional currency, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at period end exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of the Trust are recognized in profit or loss.

(c) Provisions:

A provision is recognized if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

4. Significant accounting policies (continued):

(d) Revenue:

Revenue consists primarily of investment income, which is reported on the accrual basis. Investment income includes interest income, dividends, net realized gain or loss on sales of investments, foreign exchange gains or losses, changes in fair market value of investments, and distributions from pooled fund investments. Interest income is recognized as it accrues in profit or loss. Dividend income is recognized in profit or loss on the date that the Trust's right to receive payment is established which, in the case of quoted securities, is the ex-dividend date. Net gain or loss on sales of investments include the difference between proceeds received on investment sales and the investment acquisition cost. Foreign exchange gains are the result of investments held in global portfolios impacted by exchange rates when dividends and interest are received. Distributions from pooled fund investments include the Trust's proportionate share of interest, dividends and realized gains.

(e) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(f) New standards and interpretations not yet adopted:

The following new standards and amendments issued by the International Accounting Standards Board (the "IASB") have been assessed as having a possible effect on the Trust's financial statements in the future. The Trust is currently determining the impact of these standards and amendments on its financial statements. The Trust does not plan to adopt these standards early.

(i) IFRS 9 *"Financial Instruments"*:

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduces changes relating to financial liabilities.

The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The standard provides relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. The amendments made to IFRS 9 in November 2013 remove the mandatory effective date; however, earlier application is permitted.

5. Cash and cash equivalents:

	2013	2012
Cash	$ 33,556,220	$ 30,204,012
Treasury bills with maturities of 3 months or less	–	8,768,440
Cash and cash equivalents	$ 33,556,220	$ 38,972,452

6. Invested assets:

(a) Investments:

Investments are comprised of the following:

	2013	2012
Treasury bills with maturities beyond 3 months	$ –	$ 1,146,344
Stocks	780,224,790	764,277,341
Bonds	99,816,768	188,038,334
Pooled funds	266,053,989	–
Limited partnerships	83,141,113	46,289,947
Investments	$ 1,229,236,660	$ 999,751,966

Investments on loan are comprised of the following:

	2013	2012
Stocks	$ 92,448,061	$ 66,312,397
Bonds	9,740,319	34,508,974
Investments on loan	$ 102,188,380	$ 100,821,371

6. Invested assets (continued):

(a) Investments (continued):

The Trust's investment policies, as established by the Trustees, attempt to reduce risk by diversifying the investment portfolio in two ways. Investments are diversified by asset class and then portions of each asset class are allocated to different, uncorrelated investment managers who use varying investment styles. The multi-manager strategy allows the Trust to invest in a broad range of investments which do not all move in the same direction as the general market at the same time.

The investment policies manage the risks and returns of the investments over the long term and accept that there will be short-term volatility in investment returns.

(b) Determination of fair values:

(i) Investments in equity instruments:

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted close-of-market prices at the measurement date.

(ii) Investments in pooled funds:

The fair value of financial assets in pooled funds is determined from the unit values supplied by the pooled fund managers, which represent the Trust's proportionate share of underlying net assets at fair values determined using quoted market prices, or alternative valuation methods where quoted market prices are not available.

(iii) Investments in limited partnerships:

The fair value of financial assets forming part of limited partnerships is determined from the Trust's share of the fair value shown on the audited financial statements of the limited partnerships.

The table below analyzes financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. Invested assets (continued):

(c) Fair value hierarchy (continued):

	Level 1	Level 2	Level 3	Total
December 31, 2013:				
Cash and cash equivalents	$ 33,556,220	$ –	$ –	$ 33,556,220
Stocks and fixed income	880,041,558	–	–	880,041,558
Investments on loan	102,188,380	–	–	102,188,380
Stocks (pooled funds)	–	132,093,817	–	132,093,817
Fixed Income (pooled funds)	–	133,960,172	–	133,960,172
Real estate (limited partnerships)	–	–	46,754,862	46,754,862
Infrastructure (limited partnerships)	–	–	36,386,251	36,386,251
	$1,015,786,158	$ 266,053,989	$ 83,141,113	$1,364,981,260

	Level 1	Level 2	Level 3	Total
December 31, 2012:				
Cash and cash equivalents	$ 38,972,452	$ –	$ –	$ 38,972,452
Treasury bills with maturities beyond 3 months	1,146,344	–	–	1,146,344
Stocks and fixed income	952,315,675	–	–	952,315,675
Investments on loan	100,821,371	–	–	100,821,371
Real estate (limited partnerships)	–	–	20,789,739	20,789,739
Infrastructure (limited partnerships)	–	–	25,500,208	25,500,208
	$1,093,255,842	$ –	$ 46,289,947	$1,139,545,789

There were no transfers between Level 1 and Level 2 during 2012 and 2013 fiscal years.

6. Invested assets (continued):

(c) Fair value hierarchy (continued):

Investments in real estate and infrastructure limited partnerships are not actively traded and use valuation techniques that require inputs that are both unobservable and significant, and, therefore, are categorized as Level 3 in the fair value hierarchy. The significant inputs used in Level 3 investments include: interest rates, economic growth, foreign exchange rates, commodity prices, occupancy rates, population growth and spread, industrial activity and transportation activity. The carrying amount of the real estate and infrastructure limited partnerships in 2013 was $46,754,862 and $36,386,251 respectively (2012 - $20,789,739 and $25,500,208).

The table below reconciles the Trust's estimate of level 3 fair value investments from January 1, 2013 to December 31, 2013.

	Market value
Opening balance January 1, 2013	$ 46,289,947
Contributions	26,505,081
Gains included in change in fair value of financial instruments at fair value through profit or loss:	
Change in estimated unrealized gains	10,346,085
Closing balance December 31, 2013	$ 83,141,113

7. Financial instruments:

(a) Overview:

The Trust has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk
- other price risk

This note presents information about the Trust's exposure to each of the above risks and the Trust's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are made in this note as well.

7. Financial instruments (continued):

(b) Risk management framework:

The Board of Trustees has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board has established an external Investment Advisory Committee, which is responsible for

- recommending policies;
- reviewing the performance of the Trust's investments;
- identifying and analyzing the risks faced by the Trust; and
- monitoring compliance with established policies.

The Committee reports regularly to the Board of Trustees on its activities and assesses changes in market conditions and how they impact the Trust's investment activities.

(c) Credit risk:

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables from trade relationships and debt securities. Credit risk is minimized by dealing with borrowers with investment grade securities of BBB and above and by monitoring their credit risk. Investments are recorded at fair value. The carrying amount of financial assets represents the maximum credit exposure. The Trust does not expect any counterparties to fail to meet their obligations given their credit ratings.

(d) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Trust's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation.

The Trust establishes budgets and cash flow projections to ensure it has the necessary funds.

7. Financial instruments (continued):

(d) Liquidity risk (continued):

The following are the contractual maturities of the Trust's financial liabilities.

December 31, 2013	Carrying amount	Contractual cash flows	6 months or less
Accounts payable and accrued liabilities	$ 1,666,998	$ (1,666,998)	$ (1,666,998)

December 31, 2012	Carrying amount	Contractual cash flows	6 months or less
Accounts payable and accrued liabilities	$ 1,193,753	$ (1,193,753)	$ (1,193,753)

(e) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(f) Currency risk:

The Trust is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Trust, which is the Canadian dollar.

7. Financial instruments (continued):

(f) Currency risk (continued):

The Trust is exposed to foreign currency risk with cash, stocks, bonds, and limited partnerships held in foreign currencies. The following indicates the currencies to which the Trust has significant exposure:

	2013	2012
Australian Dollar (AUD)	$ 8,210,952	$ 11,441,871
Danish Krone (DKK)	7,987,494	7,232,427
Euro (EUR)	21,780,024	25,898,331
Hong Kong Dollar (HKD)	20,153,355	14,951,334
Japanese Yen (JPY)	28,995,846	30,606,451
Norwegian Krone (NOK)	1,973,849	1,815,960
Other (in CAD)	196,677,817	–
Pound Sterling (GBP)	55,057,149	41,152,772
Singapore Dollar (SGD)	4,835,432	3,995,205
South Korea Won (KRW)	3,440,608	–
Swedish Krona (SEK)	5,414,704	3,795,182
Swiss Franc (CHF)	24,212,884	21,091,144
US Dollar (USD)	582,861,061	418,047,504

Sensitivity analysis:

A strengthening of the Canadian dollar, against the foreign currencies noted above, at December 31, 2013 would have increased (decreased) equity and profit or loss by $48,080,059 (2012 - $29,001,409). This analysis is based on foreign currency exchange rate variances of 5% that the Trust considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2012. A weakening of the Canadian dollar against the above currencies at December 31, 2013 would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

7. Financial instruments (continued):

(g) Interest rate risk:

The Trust is exposed to interest rate risk on fixed income investments held. The risk arises from fluctuations in interest rates and the degree of volatility of these rates.

The values of the bonds are subject to changes in market interest rates. At December 31, 2013, the bond portfolio had maturity dates between 2014 and 2028 (2012 - between 2013 and 2052) and carried an average effective yield of 5.43% (2012 - 4.00%). At the reporting date, the Trust held interest-bearing financial instruments of $242,355,821 (2012 - $220,569,652)

Sensitivity analysis:

A change of 100 basis points in interest rates would have increased or decreased equity as at and profit or loss for the year by $9,411,549 (2012 - $10,602,958).

(h) Other market price risk:

Equity price risk is the risk that the fair value of an investment will fluctuate as a result of changes in market price. Management of the Trust monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis by the fund managers.

The Trust's equity investments are listed on a number of different stock exchanges. As such, the values of the stocks are subject to market price fluctuations. For such investments, classified at fair value through profit or loss, a five percent increase in the relative stock exchanges at the reporting date would have increased equity by $50,238,333 before tax (2012 - an increase of $41,529,487); an equal change in the opposite direction would have decreased equity by $ (50,238,333) before tax (2012 - a decrease of $41,529,487).

8. Capital management:

The Trust's policy is to maintain a capital base that grows with inflation to maintain the capital base in real terms in order to continue to make payments to fund beneficiary organizations and fund operating costs. The Trust's goal is to produce and distribute to the beneficiary organization a positive amount of income for tax purposes each year. The Trust's objective is to pay out 4% of the five year moving average of the market value of the Trust assets. Beneficiary organizations borrow from the Trust when the income distributed is less than this 4% and repay loans when the income distributed is greater than the 4%.

8. Capital management (continued):

The Trust applies an investment strategy, asset allocation, and choice of available investment products to meet its capital management objectives of growing the Trust assets with inflation and distributing all of taxable income to the beneficiaries. There are no externally imposed capital requirements or changes in how capital is managed from the previous year. The Trust considers investment alternatives to balance the types of income being generated by Trust assets. In order for the Trust assets to grow with inflation, the income generated cannot be purely interest and dividends, but must also generate gains in market values of the assets invested in.

(a) The Trust has committed to provide funding to the Nunavut Elders' Pension Trust for the operation of the Nunavut Elders' Benefit Plan.

(b) The Trust's investment policy has a long-term target allocation of 10% to alternative investments. As of December 31, 2013, the Trust has committed $27,500,000 CAD and $125,000,000 US to limited partnerships as part of this allocation. These commitments are called upon as they are required for the limited partnerships to purchase assets in accordance with their limited partnership agreements.

9. Capital commitments:

(b) Continued:

A summary of these commitments is included below:

Limited Partnership	Total Commitment	Uncalled as at December 31, 2013
LaSalle Canadian Income Growth Fund III	$ 27,500,000 CAD	$ –
Brookfield Americas Infrastructure Fund	25,000,000 USD	2,036,312
Brookfield Infrastructure Fund II	50,000,000 USD	46,189,303
Infrared Infrastructure Fund III (HIF-III)	25,000,000 USD	20,970,396
Tishman Speyer Real Estate Venture VIII, L.P.	25,000,000 USD	14,029,651

9. Capital commitments (continued):

(b) Continued (continued):

The timing of future drawdowns against the outstanding commitments are not known at this date.

10. Related parties:

(a) Distributions to beneficiaries:

Pursuant to the deed of trust, net income for tax purposes of the Trust as defined by the agreement is to be distributed to the beneficiaries unless otherwise directed by the Trustees. The beneficiaries are Nunavut Tunngavik Incorporated, Nunavut Economic and Social Development Trust Inc. and Nunavut Elders' Pension Trust.

(b) Capital loans to beneficiaries:

The Trust has capital loans outstanding from beneficiaries as follows:

	2013	2012
Due from Nunavut Tunngavik Incorporated	$ 56,186,369	$ 62,861,384
Due from Nunavut Elders' Pension Trust	19,460,455	37,180,685
	$ 75,646,824	$ 100,042,069

The capital loans are secured by promissory notes and are due thirty days after the repayment has been demanded. Interest at the rate of one percent per annum above the prime rate of the Trust's bank is payable after the expiry of the thirtieth day after demand. These loans have been recorded as a reduction in net assets.

The distributions to the beneficiaries are based on a calculation of taxable income rather than increase in net assets. Differences between the actual distributions and the taxable income are allocated to capital loans of the beneficiaries.

10. Related parties (continued):

(b) Capital loans to beneficiaries (continued):

Reconciliation of distributions to beneficiaries:

	2013	2012
Increase in net assets	$ 268,568,967	$ 98,624,545
Remove change in fair value of financial instruments at fair value through profit or loss	(157,612,987)	(85,081,180)
Net realized loss (gains) on sales of investments	(43,252,141)	12,832,653
Add back other non-deductible expenses	518,564	344,312
Total taxable income	68,222,403	26,720,330
Distribution to beneficiaries	68,222,403	26,720,330
Increase (decrease) in capital loan	(24,395,245)	11,088,089
Net distribution to beneficiaries	$ 43,827,158	$ 37,808,419

(c) Amounts payable to and receivable from related parties:

Amounts payable to and receivable from related parties are Nil this year (2012 - Nil).

(d) Key management personnel compensation:

The key management personnel, responsible for planning, directing and controlling the activities of the Trust, include the Chief Executive Officer, the Chief Financial Officer and the members of the Board of Trustees. In addition to their salaries, the Trust also provides benefits to the Trust staff.

(d) Key management personnel compensation (continued):

For the year ended December 31, 2013, key management personnel compensation included salaries, short-term benefits, and trustee fees of $823,503 (2012 - $672,834).

11. Security lending arrangement:

The Trust participates in a security lending program with its custodian, whereby certain investments owned by the Trust are loaned to certain reputable brokers/dealers and financial institutions in return for a fee which is shared between the Trust and its custodian. Security lending revenue is reported as part of interest revenue in the amount of $173,275 (2012 - $279,976). At December 31, 2013, securities out on loan had a value of $102,188,380 (2012 - $100,821,371). This program exposes the Trust to the risk that the borrower fails to return the borrowed security. To minimize this risk, the borrower is required to provide non-cash collateral, replacement securities, with an aggregate market value never less than the percentage of aggregate market value of the loaned securities which is the highest of (a) the minimum percentage required by any applicable legislation or regulatory authority having jurisdiction over the Trust; (b) the prevailing market practice; or (c) 105%.

The collateral received is non-cash in nature and is comprised of bonds issued by the Government of Canada, Government of Canada Agencies, the Government of the United States, the governments of other OECD countries, the governments of certain Canadian provinces as well as certain corporate-issued bonds and convertible corporate-issued bonds. If the collateral held against the loaned securities is less than the market value of the loaned securities, the custodian shall indemnify the Trust for the amount equal to the difference between the market value of the loaned securities and the market value of the collateral held against such loaned securities.

The collateral held at December 31, 2013 had a value of $107,960,897 (2012 - $106,760,270). As part of its service, the custodian monitors and calculates the aggregate market value of the loaned securities and of the collateral on a daily basis and follows up with the borrowers for immediate replenishments of collateral securities when the value of the collateral falls below the value of the securities out on loan. Securities out on loan can be recalled at any time and the terms of the agreement with the custodian can be terminated upon one day’s notice.