

NUNAVUT TRUST
2022 HIGHLIGHTS





NUNAVUT TRUST

A Look at the 2022 Investment Markets

Global investment markets had a challenging year in 2022. Unusually, both fixed income and equity markets declined in value throughout the year from the first trading day. When the Russia/Ukraine war began in February 2022 fears of a global military conflict, combined with unstable supply chains from the lingering effects of the Covid-19 pandemic, resulted in high levels of inflation not seen since the 1970s.

In an attempt to reduce the high levels of inflation, central banks around the world began increasing interest rates to levels not seen since 2007, pushing up borrowing costs. With high interest rates, many existing fixed income securities declined in value in excess of 20% providing no protection as public stock markets also declined by more than 20%. Very few asset classes earned positive returns in the year, with the largest technology companies retreating the most from their valuation highs, many by more than 50%.

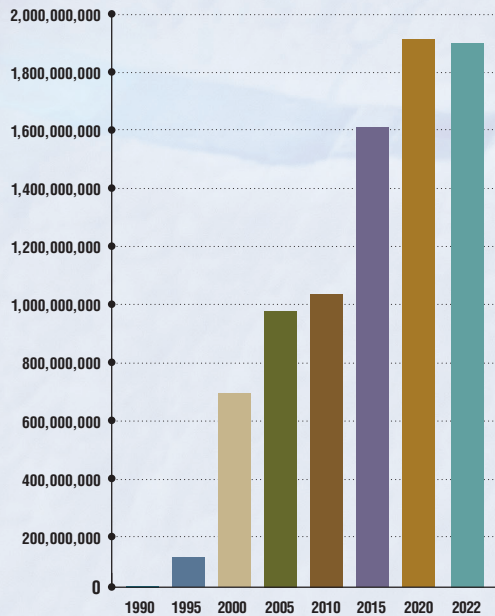
As markets began to recover value, inflation slowly began to trend downwards while interest rates remained high. Investors' concerns about inflation and recession began to ebb and consumer spending remained resilient supporting market pricing but not taking hold as a strong market recovery.

The Nunavut Trust portfolio was designed to withstand market shocks and remain resilient during periods of significant uncertainty. 2022 ended with both the fixed income and equity portfolios performing better than the broader universes, and the private asset portfolio performing strongly, as expected in periods of higher inflation. The year ended with inflation at 6.32%, which pushed the Trust's target return up to an unprecedented high of 10.32% in a year when investment markets were collectively negative.

The portfolio remains well diversified across geographies and asset classes, and we remain confident in our investment philosophy and are well positioned to continue to meet our investment objective of generating stable and growing distributions for our beneficiary organizations while growing the Trust capital by the rate of inflation over the long term.

NUNAVUT TRUST 2022 FINANCIAL HIGHLIGHTS

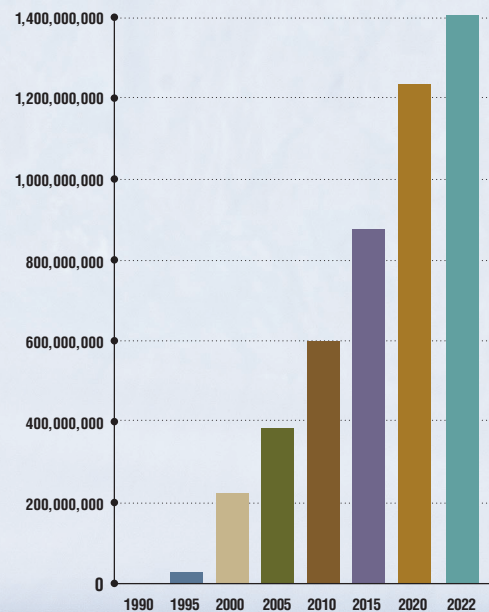
Total Assets (\$)



Since ending its first year with \$2.1 million of assets back in 1990, the Trust has grown, as a result of investment income and the Settlement Payments, to almost \$1.9 billion at December 31, 2022. The Trust assets are now almost twice the size of the Settlement Payments and exceed the amount of assets required to be in the Trust under its mandate, providing a buffer for any future uncertainty in investment markets or inflation.

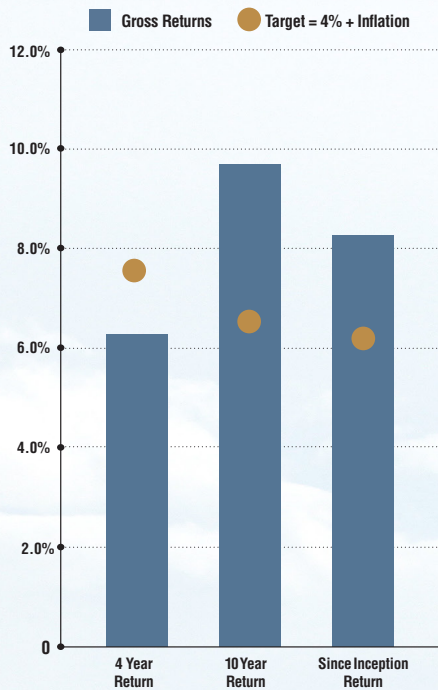
Cumulative distributions, since the first year of the Trust's operations, exceed \$1.4 billion. These distributions are given to the Trust's beneficiaries (Nunavut Tunngavik Incorporated and Nunavut Elders' Pension Plan) to help them achieve their own mandates.

Cumulative Distributions (\$)



NUNAVUT TRUST 2022 FINANCIAL HIGHLIGHTS

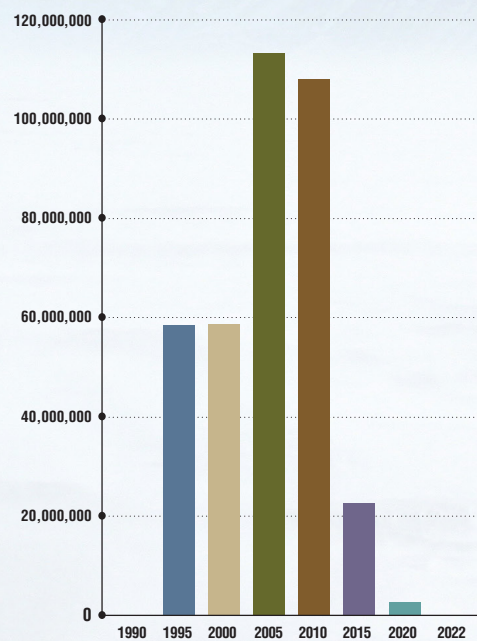
Investment Returns (%)



The Trust's investment strategy has produced long term investment returns that have exceeded the Trust's long term objective of 4% plus inflation. The high inflation rates experienced in 2022 pushed up the target 4-year return to 7.6% which meaningfully exceeds the longer term targets. When inflation begins to moderate, the shorter term target will move more in line with the long term target.

The Trust's beneficiaries borrowed from the Trust in its early years when assets were not high enough to generate the level of income distributions needed by the beneficiaries to carry out their mandates. Over time, the Trust was able to earn more investment income than the amount required under its mandate and the excess distributions were used to pay down the capital loans.

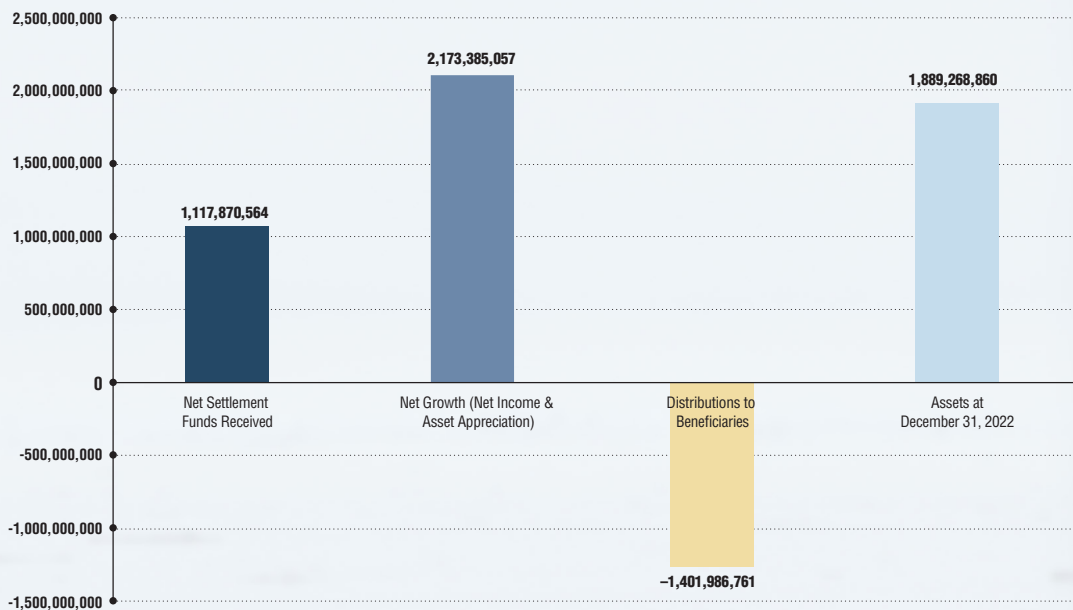
Capital Loans Outstanding (\$)



NUNAVUT TRUST 2022 FINANCIAL HIGHLIGHTS

Change in Assets Since Inception (\$)

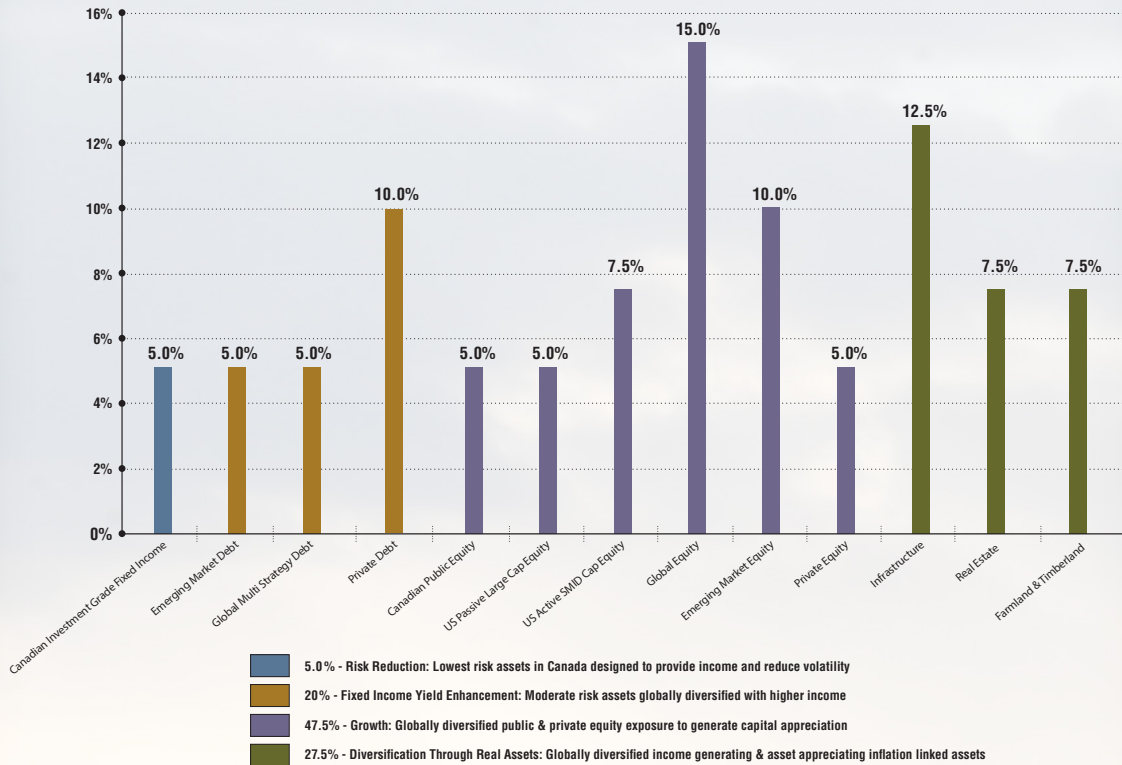
(Net Settlement Funds + Net Growth - Distributions = Current Assets)



The net land claim Settlement Payments of \$1.117 billion came into the Trust over the 15 years from 1993 through 2007. The Trust's investment strategy and related implementation activities have grown those original cash inflows by \$2.173 billion. This growth in value made it possible for the Trust to distribute a total of \$1.4 billion to its beneficiaries since it began operations leaving assets worth \$1.889 billion in the Trust on December 31, 2022.

NUNAVUT TRUST 2022 FINANCIAL HIGHLIGHTS

Long Term Asset Allocation Policy by Asset Class and by Role in the Portfolio (%)



The strategic asset allocation is intended to incorporate a mix of asset classes which will produce the highest, risk-adjusted expected investment return within a prudent risk framework taking into consideration the Trust's constraints. Each asset class is not viewed in isolation but by its role in the overall portfolio and its behaviour in comparison to other asset classes. As a perpetuity, the Trust has a long time horizon and can take advantage of the return premium available in alternative asset classes that are not traded on public market exchanges.