PEACE HILLS TRUST

March 24, 2020

TO: Nipissing 2013 Boundary Claim Trustees

FROM: Georgina Villeneuve, MBA, MTI
Jeff Frketich, CFA, FCPA, FCGA

RE: Coronavirus Update

As is obvious to everyone, the Coronavirus (COVID-19) has started a massive correction in world markets. There is concern that this will affect the markets in a couple of ways. First, with people off the job in China and other places, the slowing production of parts and finished goods has affected production and sales of companies around the globe that rely on these parts and finished goods. Second, as the virus spreads governments are forcing the shutdown of many bars, restaurants and large gatherings. Professional sports leagues around the world are closing down. International travel and national borders are being shut down.

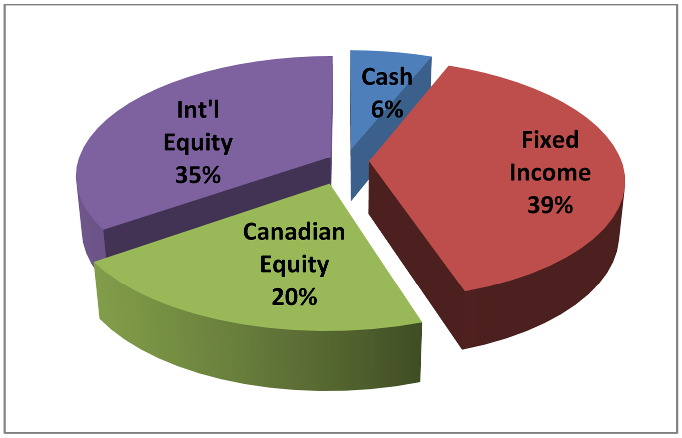
All this means that consumers are spending a lot less money than they normally would. This is going to have a very negative effect on economies around the world. Canada is also facing these same problems. Consumer spending is a huge driver of the world economy (something like 65% of the economic activity in the US), so anything that keeps consumers at home and not spending money will start to affect businesses and their profits. Many people are talking about a recession in Canada that could last several months. Again, no one knows for certain.

The stock markets hate uncertainty, and all this turmoil is being reflected in stock prices. As at the end of business on March 23, the Canadian and US stock markets are down around 32%. This means that we have officially entered into a 'bear' market. How low they will go and when they will recover is anyone's guess at this point.

That being said, it is not all bad and there are some very important things to note about your Trust:

1. **The Trust is a balanced portfolio. This means it holds stocks and bonds. Bonds are held to produce income every year in the form of interest and to protect the portfolio value in case stock markets decline. When people are afraid of**

owning stocks, they rush into bonds and bid up the price. That makes the bonds the Trust owns increase in value. That has been the case in the last 3 weeks. Stocks have been going down, but the value of the bonds has been going up. This has served to soften the blow that the Trust value has taken. As of Dec 31, 2019 the portfolio assets are divided into stocks and bonds as follows



2. The Trust only loses money when securities are sold at a loss. The portfolio value has gone down, but unless securities are actually sold, the losses are in effect 'paper losses'. If the securities are held, and stock markets rebound, there are no real losses taken in the portfolio.

3. Markets go through ups and downs over time. The longest bull market in history has just ended, which resulted in the market going up for over 10 years. Markets do correct, and the Coronavirus has brought on and added to the current correction. Like all market corrections, this one will pass and markets will improve. As evidence we have only to look back at the 2008 financial crisis. The Canadian stock market went down over 40% in a very short time. As per point #2 above, any Trust that did not actually sell securities recovered all their value in the next few years (i.e. did not lose any money), and continued to grow for several years after that.

4. Falling markets can have a positive side because they represent buying opportunities. Your Investment Manager(s) look for good companies, with a solid business, good management, low levels of debt and good products and customers. These types of companies do well over time and will produce a lot of cash. Over time their value will increase, which increases the value of the Trust portfolio. These are the type of companies that can survive downturns in the market and often come out even stronger once the markets recover. As mentioned in #1 above, as the stock values drop, the bond values continue to increase. This allows your Investment Manager to sell some bonds at a profit and to buy stocks at very good prices. As the markets rebound, this will result in good gains for the portfolio. For example, before this correction, Toronto

Dominion bank shares were worth around $75. As of this writing, they are worth about $54. TD is a very solid company and will rebound, although it may take 2 or 3 years (or more) to do so. If the Trust bought now, and the shares returned to $75, it would represent a gain of ($21 / $54 =) 39%. That is the kind of bargain that is available at this time.

5. **Most of the stocks in the Trust pay dividends. Dividends represent a portion of the profits that the companies earn during the year. The value of the company stock may go up and down over time, but the companies almost always continue to pay their dividends. The bonds in the portfolio pay interest every year as well, so even if the value of the portfolio goes down for a while, the Trust will continue to spin off income in the form of interest and dividends every year. This income flows to the Nation.**

6. **As we have said many times, one of the great advantages of the Trust is that it has a very long time frame. This gives it a chance to ride out rough times in the market (like now) and come out ahead in the long run. As mentioned in #3 above, Trusts that were able to ride out the 2008 financial crisis and not sell stocks were able to buy some great companies at very good prices and to watch them appreciate significantly in the next 5 or 6 years.**

The thing to remember is that every crisis comes to an end. The Trust was designed for good and bad times, and it will come out stronger in the long run.

Respectfully submitted,

Peace Hills Trust

Georgina Villeneuve, MBA, MTI
780 428 7228

Jeff Frketich, CFA, FCPA, FCGA
780 428 7226