NUNAVUT TRUST

2023 HIGHLIGHTS

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A Year of Market Recovery and Growth for 2023

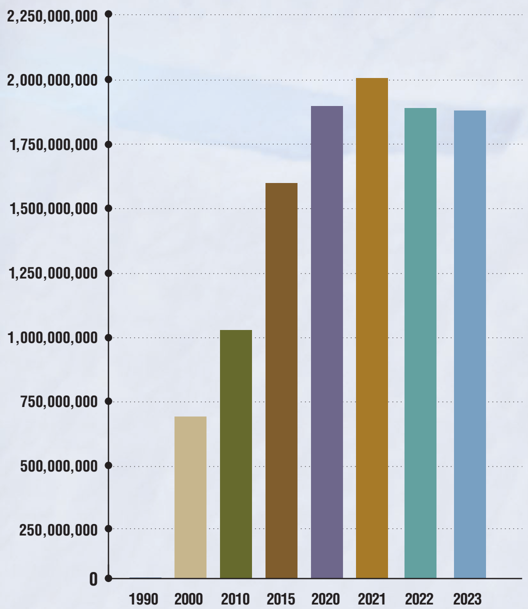
The 2023 year saw an improved economic environment slowly develop with both stock and bond markets producing positive results after the historically difficult 2022 year when, unusually, public stock and bond markets both saw meaningful valuation challenges and most investment asset classes experienced negative returns. Investors grew more optimistic in the second half of the year as they saw inflation slowly begin to moderate from Canada's peak 2022 level of over 8%, but as 2023 ended inflation remained above the long-term average rate. Central banks in much of the developed world continued to hike interest rates throughout much of 2023 to combat high inflation, with rates finally stabilizing towards the end of the year. Significant geopolitical uncertainty continued to remain high and more volatile than was experienced over the last decade as armed and social conflicts continued and new ones began.

2023 continued to reflect the historical trend of markets producing a strong year following a particularly challenging one. We saw this in 2009 following the Global Financial Crisis of 2008 and in 2019 following the market correction of 2018. The US stock market lead the 2023 recovery with the strongest returns as the big technology and communications companies were the dominant market performers, particularly those companies focusing on Artificial Intelligence technologies. International and Canadian equity markets also enjoyed strong returns above their long-term averages. Fixed income produced positive returns although not strong enough for long enough to fully recover from its 2022 drawdown.

Investments in private real assets such as infrastructure, farmland and timberland continued to provide stable valuations and performed well in the high inflation environment. The high-interest rate regimes were favourable for private credit income but a strong headwind for real estate assets which continued to experience challenges related to high costs to service their debt, low valuations as office vacancies remained elevated and an extreme lack of capital looking to acquire property making exits impossible at reasonable prices.

The Trust remained patient throughout the challenging and volatile periods of 2020 and 2022, staying fully invested and sticking to our long-term investment strategy which is designed to weather short-term economic and market headwinds and to deliver reasonable, risk-adjusted returns over the long term that exceed those required to meet our mandate. With an 8.17% return since its inception, the Trustees are pleased they were able to exceed their 6.14% target while facing the highest inflation rates, and therefore highest target returns, the Trust has ever experienced. The combined efforts of Trustees, advisors and staff to continually assess risks (geopolitical, economic, environmental) that could affect the Trust's ability to achieve its mandate are ensuring that not only will the Trust provide income distributions to NTI now but that it will be able to continue to grow those distributions while protecting the value of the Trust assets which form the base from which future income distributions will be generated.

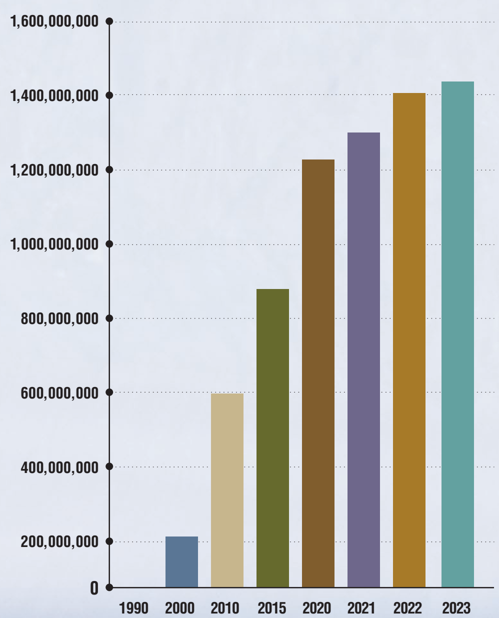
Total Assets ($)



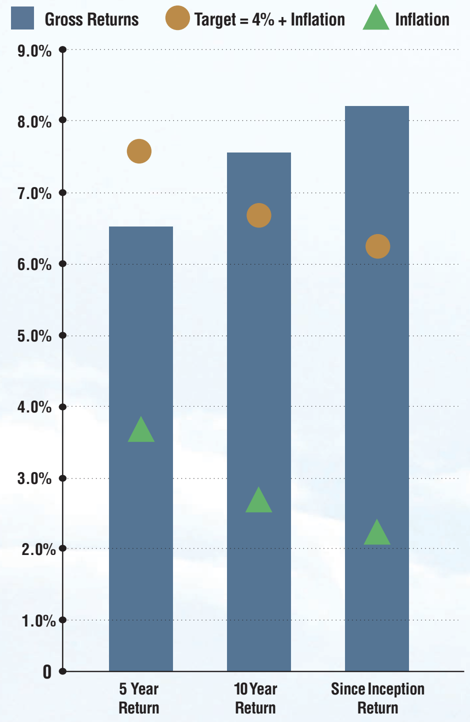
Looking at the growth of the Trust assets since its first $2 million back in 1990, and recognizing that substantial assets in excess of $100 million were outside the Trust portfolio as a result of non-interest bearing Capital Loans to beneficiary organizations for many of the years leading up to 2018, one can see the resiliency of the investment strategy in protecting the portfolio values over the long term. The portfolio had a value of $1.9 billion at December 31, 2023.

Cumulative Distributions ($)

Cumulative distributions, since the first year of the Trust's operations, exceed $1.45 billion. These distributions are given to the Trust's beneficiaries (Nunavut Tunngavik Incorporated and Nunavut Elders' Pension Trust) to help them achieve their own mandates.

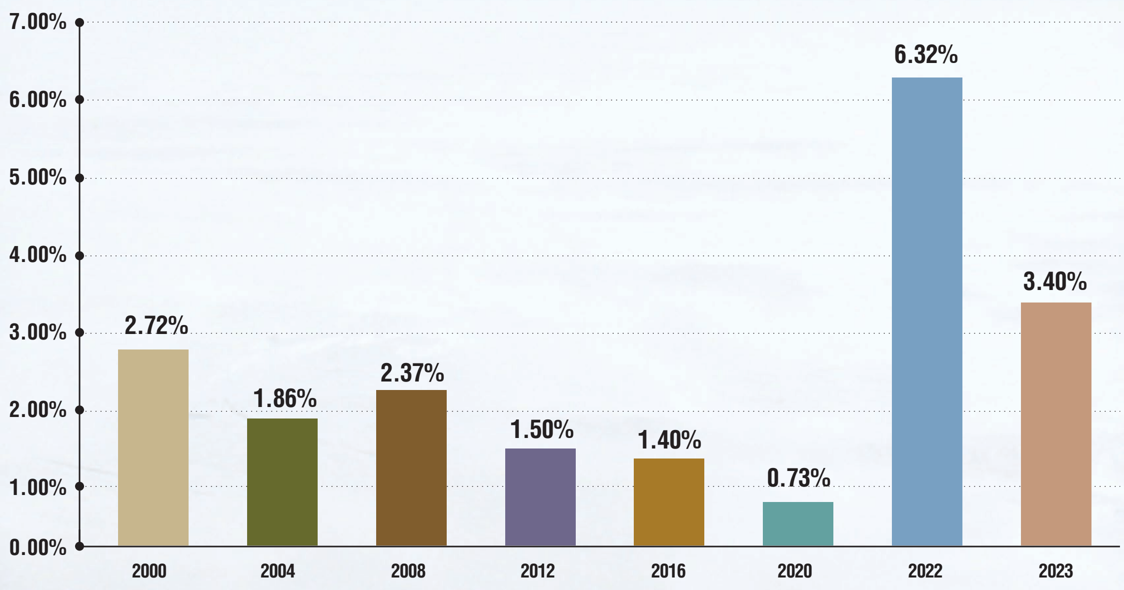


Investment Returns (%)



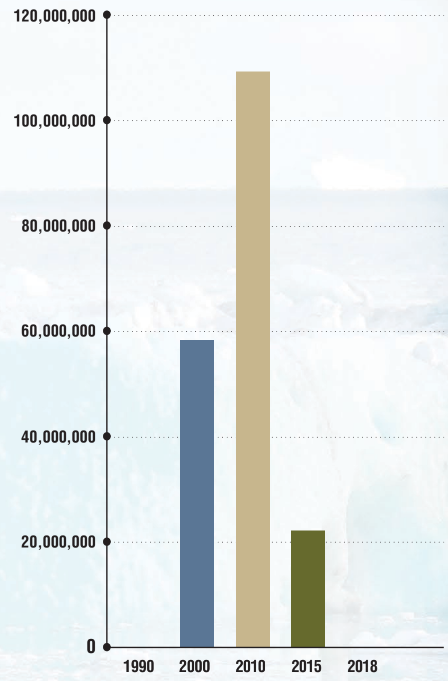
The Trust's investment strategy has produced investment returns that have meaningfully exceeded the Trust's long-term objective of 4% plus inflation. While the 5-year return was a strong 6.47%, the high inflation rates experienced from 2021-2023 pushed the return target up to historically challenging levels (10.32% for 2022 alone) which would require extremely strong, sustained market returns to achieve. Security markets were in drawdown in 2022 making it near impossible to achieve a 10.32% target return. As the rate of inflation comes down to the long-term average, the shorter to mid-term target returns should approach the since-inception target return of 6.14%.

Annual Inflation Rate (%)

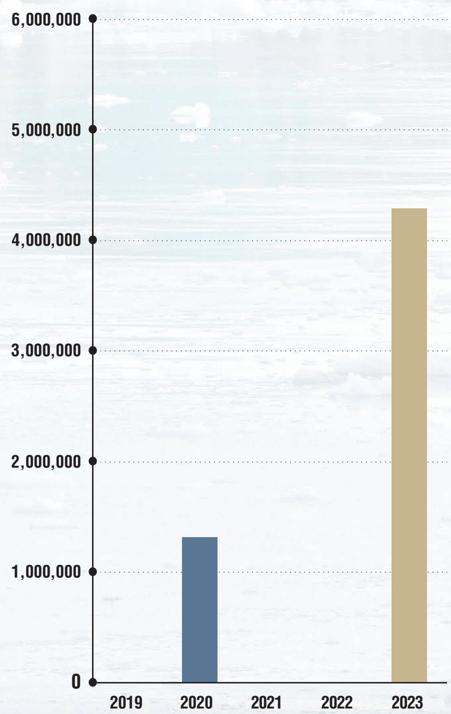


The Trust's beneficiaries borrowed from the Trust in its early years (referred to as Legacy Capital Loans) when assets were not high enough to generate the level of income distributions needed by the beneficiaries to carry out their mandates. Over time, the Trust was able to earn more investment income than the amount agreed to be paid annually to beneficiaries and the excess income distributions were used to pay down the Legacy Capital Loans, extinguishing the debt by year end 2018. Investment markets are not predictable, and the actual taxable income distribution will differ from the 4% payout amount the Trust has agreed to provide to its beneficiary organizations. These differences are either new capital loans when actual taxable income is lower than the 4% amount or excess distributions when taxable income is higher. These post-2018 results are referred to as Steady State to differentiate them from the original Legacy Capital Loans. Future excess distributions are used to pay down new Capital Loans and the Trust's investment strategy is designed to avoid an increasing Capital Loan balance.

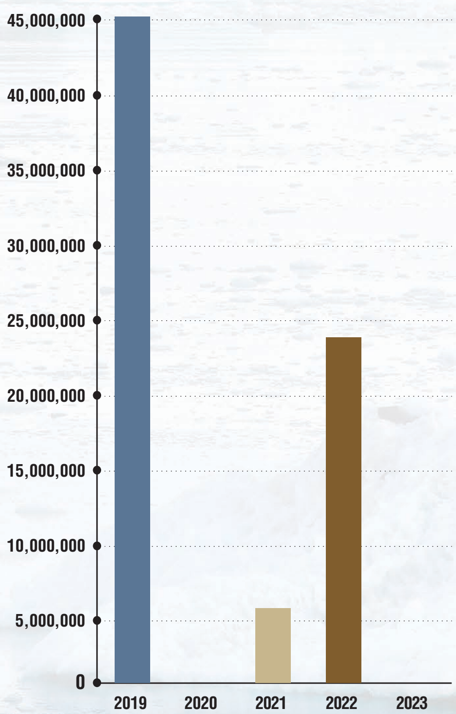
Legacy Capital Loans Outstanding ($)



Steady State Capital Loans Advanced ($)

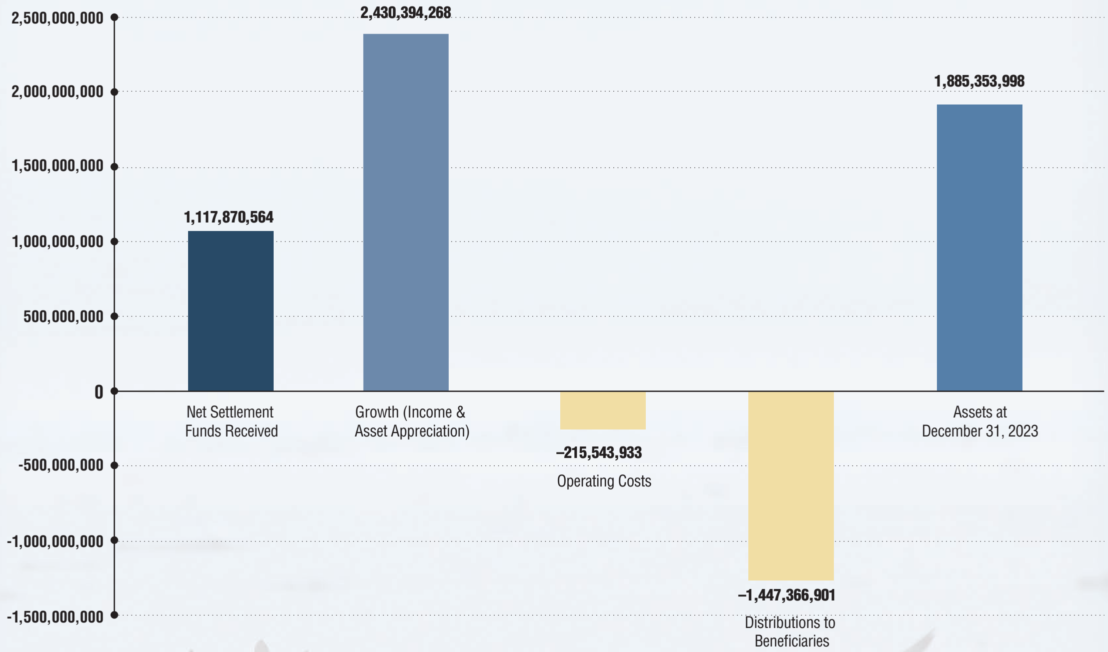


Steady State Excess Distributions ($)



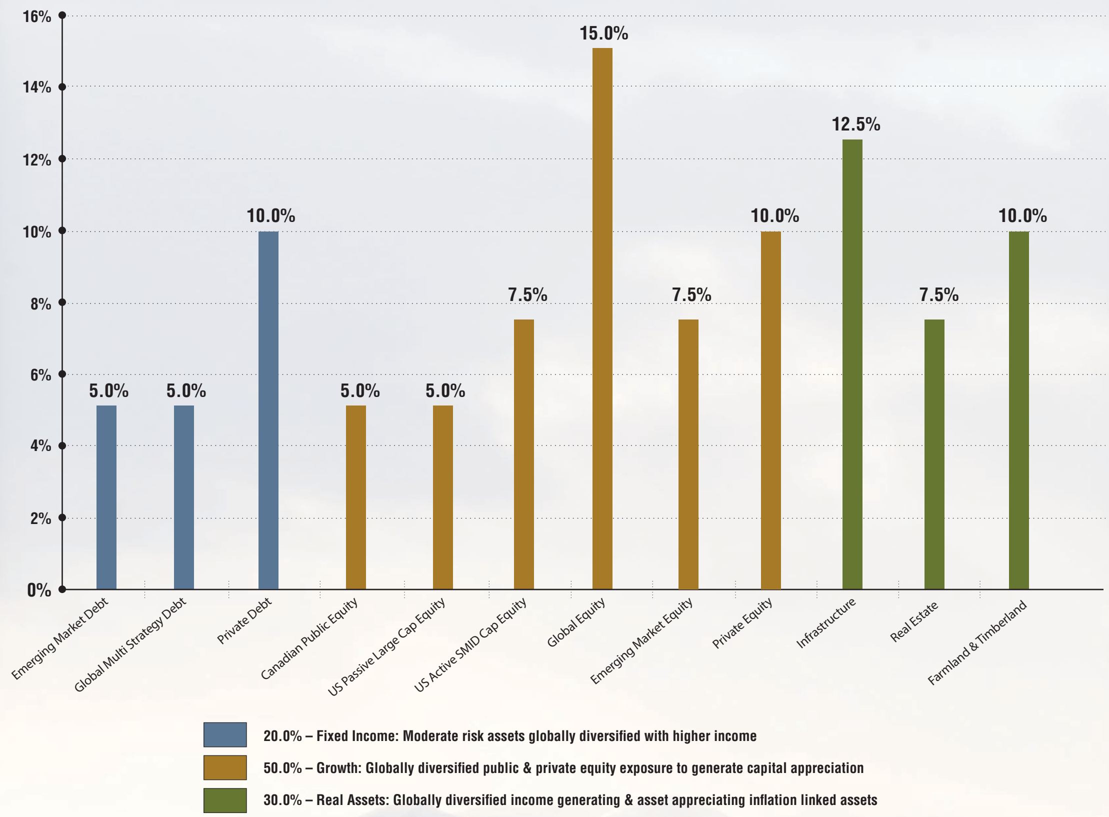
Change in Assets Since Inception ($)

(Net Settlement Funds + Growth Net of Costs - Distributions = 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 $2.214 billion. This growth in value made it possible for the Trust to distribute a total of $1.447 billion to its beneficiaries since it began operations leaving assets worth $1.885 billion in the Trust on December 31, 2023.

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 mandate and 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. Adjustments made to the strategy in 2023 included changes that would reduce the overall risk of the portfolio and stabilize portfolio values. Private equity was added as a new asset class while Canadian fixed income was eliminated.