



**Annual Report of the
Southern Boundary Restoration and Enhancement Fund and the
Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund
for the year 2017.**

Introduction

In June of 1999, the United States and Canada reached a comprehensive new agreement (the “1999 Agreement”) under the 1985 Pacific Salmon Treaty. Among other provisions, the 1999 Agreement established two bilateral funds: the Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund (Northern Fund); and the Southern Boundary Restoration and Enhancement Fund (Southern Fund). The purpose of the two funds is to support activities in both countries that develop improved information for fishery resource management, rehabilitate and restore marine and freshwater habitat, and enhance wild stock production through low technology techniques. The United States agreed to capitalize the Northern and Southern Funds in the amounts of \$75 million U.S. and U.S. \$65 million respectively. Canada also contributed CAN \$500,000. The 1999 Agreement also established a Northern Fund Committee and a Southern Fund Committee, each comprised of three nationals from each country, to oversee investment of the Funds’ assets and make decisions about expenditures on projects. Only the earnings from investments can be spent on projects.

Committee Members

Northern Fund Committee

Canada:

Steve Gotch
Carmel Lowe
John McCulloch

United States:

Doug Mecum
Bill Auger
Charlie Swanton

Southern Fund Committee

Canada:

Andrew Thomson
Don Hall
Mike Griswold

United States:

Larry Peck
Peter Dygert
Joe Oatman

Executive Summary

- Total contributed capital (nominal) was U.S. \$140,065,000 (the equivalent of CDN \$209,796,000 using the exchange rate at the time the last installment was made). Actual fund asset value at December 31st, 2017 was U.S. \$224,230,000 or CDN \$281,296,000.
- 2017 was a turbulent year marked by natural disasters, geopolitical tensions, and political divisions in many countries. However, from an economic perspective, 2017 ended on a high note, with GDP continuing to accelerate over much of the world in the broadest cyclical upswing since the beginning of the decade. Equity markets continued their climb with most markets ending the year close to record highs, as central banks maintained accommodative monetary policies amid weak inflationary conditions.
- In 2017 the Southern Fund Committee supported a total of 34 projects for U.S. \$2.86 million including U.S. \$800,000 provided to Year 4 of the Salish Sea Marine Survival Program.
- In 2017 the Northern Fund Committee supported a total of 57 projects for U.S. \$4.59 million.
- Informed by advice provided by the Commission, U.S. \$2.6 million was contributed to support 26 *Very High Priority Chinook* projects in 2017. The Northern Fund contributed U.S. \$1.5 million and the Southern Fund contributed U.S. \$1.1 million.
- Combined project spending by the Northern and Southern Funds was U.S. \$7.45 million in 2017.
- Since 1999, the total Northern and Southern Fund expenditures are U.S. \$76 million, which as contributed financial support to 1,087 projects. This sum is inclusive of including U.S. \$4.65 million to the *Very High Priority Chinook* projects and the Southern Fund's contribution of U.S. \$4.2 million to the *Salish Sea Marine Survival Program*. In addition, to the U.S. \$76 million, the Funds have contributed another U.S. \$10 million to the *Sentinel Stocks Program*.
- In 2017 the Northern and Southern Fund Committee members met in person jointly on three occasions, February, April and November. In addition, the Northern and Southern Fund Committee's met separately on three occasions.
- An investment sub-committee worked with the Fund's investment consultants on an Asset Mix Optimization study. The sub-committee met by conference call in January and August and in person in April, June and September to interview and select (for recommendation) three new managers for mortgages, direct infrastructure and core plus investment portfolios.
- Fund staff provided administrative services for the Yukon River Panel's annual U.S. \$1.2 million Restoration and Enhancement Fund for a seventh year in 2017.

Investment Review

Although 2017 was a good year for equities with double-digit returns, in terms of spending, the benefits for the Funds were somewhat offset by the rising value of the Canadian dollar against the U.S. dollar. Global economic growth, and U.S. growth in particular, by and large surpassed expectations and the Fund's global equities manager Morgan Stanley ended the year strongly, leading our other equity managers with the highest outperformance against the benchmark. The Fund's U.S. equities held by BlackRock in an indexed fund also performed well in this environment. The Fund's non-North American equities manager LSV posted strong absolute returns, but lagged the benchmark. Exceptionally low volatility and a continuation of the rally in "growth" stocks limited returns on their "value-style" of investing. Infrastructure manager RARE's performance showed them essentially flat against the benchmark for the year, however, their performance will soon no longer be a concern since the Fund is switching to "direct" infrastructure in the near future as a result of the asset mix optimization process. Real estate manager Invesco performed slightly ahead of the benchmark as of the end of the third quarter and the fixed-income bond fund managed by BlackRock delivered a modest return. The change to an active core-plus fixed income manager will take place early in 2018. ACM the new Canadian mortgage manager was added to the portfolio on September 30th and the mortgage fund increased slightly in the fourth quarter. Longer term, they have a history of out-performance that places them right at the top amongst their peers. 10% of the Fund's bond portfolio had been re-profiled into this new investment vehicle.

Total contributed capital (nominal) was U.S. \$140,065,000 (the equivalent of CDN \$209,796,000 using the exchange rate at the time the last installment was made). Actual fund asset value at December 31st, 2017 was U.S. \$224,230,000 or CDN \$281,296,000.

Contributed capital and asset value of the individual Funds as of December 31st, 2017 stood as follows:

	Contributed Capital	Asset Value
Northern:	U.S. \$75,000,000 CDN \$112,388,000	U.S. \$122,679,000 CDN \$153,901,000
Southern:	U.S. \$65,000,000 CDN \$97,408,000	U.S. \$101,551,000 CDN \$127,395,000

Note #1:

In 2003 a rescission of 0.65% applied to the FY 2003 appropriations reduced the final contribution to the Northern Fund by U.S.\$162,500 and to the Southern Fund by U.S.\$97,500. Thus the actual Contributed Capital is:

Northern:	U.S. \$74,837,500
Southern:	U.S. \$64,902,500

Note #2:

U.S. Dollar Exchange (noon) rate: per Royal Trust, December 31, 2017	1.2545	0.79713
U.S. Dollar Exchange (noon) rate: per Royal Trust, November 30, 2017	1.2888	0.77592
U.S. Dollar Exchange (noon) rate: per Royal Trust, December 31, 2016	1.3427	0.74477
U.S. Dollar Exchange (noon) rate: per Royal Trust, December 31, 2015	1.3840	0.72254

Note #3:

Cash withdrawals performed in May & July 2017 to a total of U.S. \$5,900,000 and CDN \$3,875,000

Asset Mix Optimization Study

Phase I

In November 2016 the Joint Northern and Southern Fund Committees instructed their consultants Aon Hewitt to perform an analysis of the Funds Investment Policy Asset Mix. The purpose was to review the current asset mix and identify opportunities to improve the risk-reward profile of the Master Trust by investigating the following:

- Including additional asset classes.
- Changing the mix between fixed income and variable income asset classes.

Aon Hewitt's Asset Mix Optimization Study was begun in December 2016 and January 2017 and completed by April 2017.

To facilitate the asset mix optimization process, a sub-committee of the Joint Northern and Southern Fund Committees was formed in November 2016 and tasked with advancing Aon's recommended changes to optimize the Fund's asset mix on behalf of the Joint Northern and Southern Fund Committees. The four sub-committee members were Doug Mecum and Steve Gotch (Northern Fund), and Mike Griswold and Larry Peck (Southern Fund).

The specific short-term goals for Aon Hewitt and the sub-committee arising from the Joint Northern and Southern Fund Committee review of the completed Asset Mix Optimization Study were identified at the Fund's April 2017 meeting in Vancouver. These were as follows:

- Develop a recommendation for the Joint Fund Committee to transfer the Fund's infrastructure assets from "listed" to "direct".
- Develop a recommendation for the Joint Fund Committee to move 10% of the fixed income portfolio to Canadian mortgages.
- Investigate active management options for the remaining 20% of the fixed income assets.

The culmination of the sub-committee's work-plan was to conduct in-person interviews and then develop recommendations on Canadian mortgage and direct infrastructure managers for the Joint Fund Committee from selected investment management firms short-listed by Aon Hewitt as the best potential candidates to manage these new elements of the Fund's portfolio. At the same time, the sub-committee held an active fixed income education session with two managers to develop a next-steps recommendation on that goal too.

The sub-committee met on Thursday, June 15th and Friday, June 16th to conduct the interviews, to discuss their impressions and finalize their recommendations. Ms. Satinder Sidhu of Aon Hewitt was present and provided comprehensive background information; interview facilitation; as well as on-the-spot commentary and advice. (Ms. Sidhu is the Fund's new investment consultant and took over that position from Ms. Kamila Giesbrecht in June 2017). Each interview lasted one hour.

Based on a perceived higher level of stability and better returns, the recommendation of the sub-committee was that IFM be chosen to manage the Fund's Direct Infrastructure portfolio. This recommendation was approved by the Joint Fund Committees. In addition, the recommendation of the sub-committee was that ACM Advisors Ltd be chosen to manage the Fund's Canadian mortgages portfolio; the somewhat higher fee structure being offset by a track record of excellent performance. This recommendation was also approved by the Joint Fund Committees. Furthermore, the Joint Fund Committee accepted the sub-committee's recommendation that Aon

Hewitt be instructed to undertake a manager search process and facilitate manager interviews for an active fixed income strategy.

Phase II

The sub-committee met with Ms. Sidhu by teleconference on August 23rd to review Ms. Sidhu's report on selected investment management firms short-listed by Aon Hewitt as the best potential candidates to manage an active fixed income portfolio. Four managers were profiled and the sub-committee elected to invite all four to Vancouver for in-person interviews.

The sub-committee met again on Wednesday, September 13th to conduct the interviews, to discuss their impressions and finalize their recommendations. Ms. Sidhu was again present and again provided comprehensive background information; interview facilitation; on-the-spot commentary and advice. Each interview was scheduled for 50 minutes.

The recommendation of the sub-committee was that Philips, Hager and North Investment Management be chosen to manage the Fund's Core Plus Fixed Income Strategy. The somewhat higher fee structure is offset by a track record of excellent performance. This recommendation was approved by the Joint Fund Committees.

Phase III

In addition to the changes described above, the asset mix analysis also provided insight into the level of spending risk based on the Funds' existing spending policies. The Northern and Southern Fund Committees most recently jointly reviewed their spending policies in 2012. At that time, changes in capital market conditions had resulted in lower expected returns from equities and fixed income assets. The expected long-term annual total Fund return was revised downward to 6.5% from 8.4% previously. As a result, changes were made to the Fund's investment policy, broadening the target asset mix by adding real estate and infrastructure to diversify the portfolio and reduce volatility. Based on this information, the Southern Fund Committee lowered its target maximum spending rate by 1.5% while the Northern Fund Committee maintained its spending policy based on adjustments implemented in 2011. Over the past five years, actual returns exceeded the forecast long-term annual total Fund return by 1.2% (actual return rate of 7.2%) due to an extended bull equity market, coupled with strong returns in the new real estate and infrastructure asset classes. None the less, the Fund's investment advisor have recommended that the recent period of above-forecast performance is unlikely to continue, and the forward-looking capital market return expectations are below the 6.5% rate projected in 2012.

In consideration of these findings, the Fund Committees determined that further analysis of the spending policies of each Fund was warranted and have requested their investment advisor to develop recommendations for presentation to the Joint Fund Committee by April 2018.

2017 Project Funding

In 2017 the Southern Fund Committee supported a total of 34 projects for U.S. \$2.86 million. The list included projects addressing (i) specific priorities identified by the Pacific Salmon Commission's Fraser River and Southern Panels for U.S. \$903,764 or 31.6% of their overall spending, (ii) eleven *Very High Priority Chinook* projects for U.S. \$1.1 million or 38.6%, (iii) year

4 of the *Salish Sea Marine Survival Program* for U.S. \$800,000 or 28%, and (iv) a \$50,000 contribution to the economic impact analysis of Pacific Salmon Treaty fisheries project proposed by PSC Executive Secretary Mr. John Field.

In 2017 the Northern Fund Committee supported a total of 57 projects for U.S. \$4.59 million. Of these, five projects with a total value of U.S. \$214,036 were in the Enhancement envelope with the majority dealing with sockeye enhancement in the Transboundary region and Lakelse Lake in northern BC. U.S. \$308,907 was invested in two Habitat Restoration works in the Transboundary region; by far the largest being the Tahltan River slide remediation project. U.S. \$2.55 million was directed to 35 Improved Information-type projects across South East Alaska, the Transboundary and Northern BC. In addition, the Northern Fund provided U.S. \$1.5 in total to fifteen *Very High Priority Chinook* projects across the region. The Northern Fund also provided a \$50,000 contribution to the economic impact analysis of Pacific Salmon Treaty fisheries project proposed by PSC Executive Secretary Mr. John Field.

In the nine years between 2009 and 2017 the Northern Fund has granted U.S. \$ million to projects while the Southern Fund has granted U.S. \$ million to projects. Included in this total is a sum of U.S. \$4.65 million contributions towards *Very High Priority Chinook* projects (2015 to 2017) and U.S. \$4.2 million from the Southern Fund to the *Salish Sea Marine Survival Program*. In addition to these amounts, the *Sentinel Stocks Program* was funded jointly by the Northern and Southern Funds between 2009 and 2014 in the amount of U.S. \$10 million.

Very high priority Chinook projects

Very high priority chinook projects 2017 funded by the Southern Fund			Cost	
	Title	Agency	CA \$	US \$
1	Abundance estimates for Stillaguamish River chinook salmon using trans-generational genetic mark recapture	WDFW		\$55,139
2	Genetic-based abundance estimates for Snohomish River chinook salmon	WDFW		\$181,586
3	Abundance estimates for Nisqually River Chinook salmon using trans-generational genetic mark-recapture	WDFW		\$43,851
4	South Fork Nooksack Chinook captive brood implementation	WDFW		\$109,113
5	Improvements to evaluation methods of fall Chinook assessments at-age	ODFW		\$33,407
6	Mark Recovery Program Coded Wire Tag Sampling, Dissection and Reporting	DFO	\$242,401	
7	Increased Chinook salmon stock coded-wire tagging to improve the quality of Chinook indicator stock analyses	DFO	\$301,293	

8	Cowichan Adult Chinook Enumeration methodology change	DFO	\$40,397	
9	DNA stock composition of Juan de Fuca chinook catch	DFO	\$16,000	
10	Chilko River Chinook Salmon Indicator Stock (Fraser River Summer-run Age 1.3 stock)	DFO	\$199,950	
11	Burman River Chinook salmon mark-recapture 2016. Year 8	NTC	\$98,807	
	Total 2017 very high priority chinook funding from the Southern Fund.		\$898,848	\$423,096

Very high priority chinook projects 2017 funded by the Northern Fund.			Cost	
	Title	Agency	CA \$	US \$
12	Mixed stock analysis of districts 108 and 111 chinook fisheries	ADFG		\$57,695
13	Origins of Chinook harvested in SEAK in 2017	ADFG		\$282,600
14	Mark Recovery Program Coded Wire Tag Sampling, Dissection and Reporting	DFO	\$242,401	
15	Terminal Abundance of WCVI Chinook salmon	DFO	\$257,000	
16	Estimation of Fraser River - South Thompson Age 0.3 Chinook Aggregate Escapement	DFO	\$211,500	
17	Nass chinook salmon mark-recapture project 2017	NLG	\$114,000	
18	Atnarko River Chinook Escapement Estimation project 2017	DFO	\$77,000	
19	Klukshu Chinook	DFO	\$49,800	
20	Stikine River Coded Wire Tagging	DFO	\$105,800	
21	Stikine Fishery Sampling & Stock Assessment	DFO	\$80,300	
22	Taku Fishery Sampling & Stock Assessment	DFO	\$35,034	
23	Kitsumkalum chinook	DFO	\$100,000	
24	Chinook salmon Escapement Estimation to the Skeena River using Genetic techniques 2017	DFO	\$36,000	
25	Genetic Stock Identification of Chinook salmon caught in Northern BC Troll fisheries 2017	DFO	\$73,000	

26	Area 3 and 4 Creel Survey, 2017	DFO	\$159,004	
	Total 2017 very high priority chinook funding from the Northern Fund.		\$1,540,839	\$340,295

	Total 2017 very high priority chinook funding.		\$2,439,687	\$763,391
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The combined total of all Northern and Southern Fund grant awards to Very High Priority Chinook projects in 2017 was U.S. \$2.6 million (exchange rate calculated at 0.76).

Joint Fund Committee Meetings

The Northern and Southern Fund Committees have agreed that given the congruent nature of their agendas, their decision to combine the funds into a single master account for investment management purposes, and the efficiencies involved with respect to interaction with the Fund managers, it was appropriate to meet together as a Joint Fund Committee at least once a year, preferably twice, for Fund financial reviews and investment manager interviews. The Fund Committees have also determined that it is beneficial to meet jointly early in the year during their annual project selection meetings to discuss and determine co-funding arrangements for *Very High Priority Chinook* projects. Thus the Joint Fund Committees met in person three times during 2017 on February 22nd (a.m. only), 2017; again on April 25th (p.m. only) and 26th (a.m. only), 2017 and finally, on November 8th and 9th, 2017.

In February the two Fund Committees met to select their projects for funding support in 2017. A crucial element of these discussions was the suite of Very High Priority Chinook projects. In a change from previous years, the Fund Committees received recommendations from the Commission on “themes” to address priority Chinook salmon initiatives in support of implementation of Chapter 3, for inclusion in their Call for Proposals. In 2015 and 2016, the Commissioners had identified specific projects. Each Fund Committee grouped project proposals that either self-identified or most closely aligned with the Chinook themes in the Call for Proposals, and identified these as the list of *Very High Priority Chinook* projects for the year. The Southern Fund identified and funded 11 such projects at a total cost of U.S. \$1.1 million while the Northern Fund identified and funded 15 at a total of U.S. \$1.5 million. Discussions at the Joint Fund Committee meeting centered on funding questions pertaining to coast-wide projects not exclusively associated with Northern or Southern Fund areas of interest by virtue of their geographical location.

Following these decisions Executive Secretary Mr. John Field presented an update on the economic impact analysis of Pacific Salmon Treaty fisheries project. He stated that a draft of the final report was due in April 2017 and that the project was still on target to deliver a final report by May 2017.

The Spring meeting of the joint Northern and Southern Fund Committees was held in Vancouver on the afternoon of April 25th and the morning of April 26th. Ms. Kamila Giesbrecht of Aon Hewitt

presented the 2016 Q4 investment performance report that was characterized by strong equity returns in both U.S. and Global markets and gave a preview of Q1 2017. Ms. Giesbrecht then reported to Committee members on the activities of the investment sub-committee and the results of Aon Hewitt's Asset Mix Optimization study. Responding to the findings of the report, a number of follow-up actions were approved by the Joint Fund Committee:

- To reassign 10% of the Fund's fixed asset portfolio to mortgages.
- To reassign the Infrastructure investments from listed to direct.
- Schedule manager interviews with 2-3 direct infrastructure managers and 2-3 mortgage managers for mid-June 2017.
- Concurrently, to investigate active management options for the remaining 20% of the fixed asset portfolio and have the sub-committee develop a recommendation on this for the full Committee either at the soonest in June or at latest the November 2017 meeting.
- At the November 2017 meeting, analyze the spending policies of both Funds & make recommendations to each Fund Committee on how to enhance their spending policies.
- At some future date consider investigating options for diversification of global equities e.g. into small cap and/or emerging markets.
- Maintain a watch on developments in Diversified Growth Funds.

Following the Aon presentations, Mr. Mackay led the Committee in discussion of potential administrative cost items for consideration in developing the 2017 administrative budget. Next, PSC Secretariat Controller Ms. Ilinca Manisali presented the Fund's 2017/18 administration budget for Committee consideration. A motion to accept the budget as presented was moved and seconded. In an additional agenda item, the Fund Committees agreed that going forward each Committee would establish their own rules with respect to honoraria payments to Canadian and U.S. non-government members. Subsequent to the joint meeting, the the Southern Fund implemented a change which aligned honoraria payments made to Canadian non-government members with that of U.S. non-government members. The Northern Fund chose to maintain existing honoraria payment rates unchanged. Finally Mr. Mackay introduced the Commissioner's advice for 2018 Very High Priority Chinook proposals to be included in the 2018 Call for Proposals in the coming months.

The joint Northern and Southern Fund Committees met together for the third and final time in 2017 in Vancouver on November 8th and November 9th. Joining the Joint Fund Committees for the first time was Aon Hewitt's new investment consultant to the Fund Committees, Ms. Satinder Sidhu, who took over that position from Ms. Kamila Giesbrecht in June 2017. Ms. Sidhu provided the Third Quarter report on Fund Performance.

The Committee then received the in-person presentations from the Fund managers: LSV (international equities manager), ACM (Canadian mortgage manager), Invesco (real estate manager) and Morgan Stanley (global equity manager). The Committee was generally satisfied with the managers' reports and were interested to hear in-person from their new Canadian mortgage manager, local firm ACM, for the first time.

Ms. Sidhu provided the Committees with an update on the asset mix optimization process initiated earlier in the year. She described the new target asset mix that was chosen to improve the risk / return profile of the endowment funds. The changes from the previous asset mix were:

- A 10% reduction in bonds, replaced with mortgages.
- A change from passive universe bonds to active core plus bonds.
- A change from listed infrastructure to direct infrastructure.

Ms. Sidhu noted that year over year, the presentations from the more established managers changed little and that perhaps consideration might be given to changing the format of this agenda item going forward. In future the Fund Committees, Fund staff and the investment consultant would jointly select a sub-set of managers for in-person interviews in November each year, rather than automatically inviting them all.

The Asset Mix Optimization review and subsequent alterations to the target asset mix necessitated a revision of the Fund's Statement of Investment Policies and Procedures. Ms. Sidhu provided the Committees with an edited version of the existing SIPP that highlighted all the changes and walked through the document to review each of these. The Committees approved of the suggested edits and directed Ms. Sidhu to revise the SIPP when the new core plus account was fully invested.

Day 2

In November 2016, the Fund Committees had directed Aon Hewitt to undertake an Asset Mix Optimization study early in 2017 to review the current asset mix and identify opportunities to improve the risk-reward profile of the master trust given the twin objectives of the preservation of capital and the maintenance of a stable and sustainable rate of spending. An additional benefit of the asset mix analysis was the insight it provided into the level of spending risk based on the existing Northern and Southern Fund spending policies. In consideration of these findings and noting that the spending policies had last been reviewed in 2012, the Fund Committees decided that further analysis of the spending policies of each Fund was warranted and instructed Aon Hewitt to develop recommendations for changes, as needed, by April 2018.

Executive Secretary Mr. John Field raised a process (timing) matter concerning the Commissioners expectations with respect to information from the Fund Committees on the review of 2018 Very High Priority Chinook proposals. It was agreed that the Commissioners would be provided with the results of the Northern Fund Committee's technical review following the January 2018 post-season meeting in Portland. The technical review document will list the VHPC proposals being considered by the Northern and Southern Fund Committees, as well as the results of the bilateral Northern Fund technical review on January 7, 2018. Fund Committee members noted that the PSC meetings in January and February 2018 would provide the opportunity to determine the likelihood of other sources of funding to support 2018 VHPC projects (e.g. Letter of Agreement – LoA – funding). This information would be of critical importance to the Fund Committees in making their project funding selections on February 20 and 21.

Executive Secretary Mr. John Field briefed the Committee reporting that a sub-committee of the joint Fund Committees had been struck in September to review the Fund's by-laws and provide recommendations to the full joint Committee on a finalized set of by-laws in the new-year. Two members had volunteered from each Fund, one U.S. and one Canadian. The members are Mr. Doug Mecum (U.S. N Fund); Mr. Steve Gotch (Canadian N Fund); Mr. Larry Peck (U.S. S Fund); Mr. Don Hall (Canadian S Fund). To date an initial draft version of the revised by-laws has been developed and a list of ten key themes to address had been identified by the sub-committee.

In an additional item to the agenda, Mr. Peter Dygert (U.S. S. Fund) briefed the Committee members on recent developments with respect to increasing the prey (principally chinook salmon) available to Southern Resident Killer Whales and the effect that might have on fisheries. Mr. Dygert felt that the subject was one that should be addressed broadly, involving both Parties, and hence was likely to become a significant Commission issue with potential implications to the Fund Committees via possible future project funding requests.

During the lunch break the Joint Fund Committees received a presentation from Mr. Mark Saunders of the North Pacific Anadromous Fish Commission on the “2019 International Year of the Salmon”. It was noted that Mr. Doug Mecum from the U.S. section of the Northern Fund and Executive Secretary John Field are both on the IYS steering committee. The Committee appreciated the briefing and felt confident that they would be kept informed of developments going forward.

PSC Secretariat Controller Ms. Ilinca Manisali presented the Fund’s 2016/17 Audited Financial Statements prepared by KPMG for Committee consideration. A motion to accept the audit as presented was moved and seconded.

The PSC Secretariat’s IT Manager Mr. John Son gave a presentation on SharePoint and specifically a SharePoint site that has been designed and developed for the use of the Fund Committees. Mr. Son walked the Committee members through the site and its features and sought feedback from Committee members as to content, utility, navigability and future developments, emphasizing that the main purpose of the site was document sharing. Committee members were satisfied with the site, but requested that communications between PSC staff and Committee members concerning links to SharePoint content should include a reminder of log-on protocols.

The meeting closed with confirmation of next Fund Committee meeting dates in February 2018 and April 2018.

By-laws Sub-Committee

A sub-committee of the joint Northern and Southern Fund Committees was struck in September 2017 to review the Fund’s by-laws and provide recommendations to the full Joint Fund Committee on a finalized set of by-laws. The four sub-committee members were Doug Mecum and Steve Gotch (Northern Fund), and Don Hall and Larry Peck (Southern Fund).

To date the sub-committee has prepared and reviewed a number of drafts of the by-laws and has identified a number of key themes to address as the revisions proceed. Sub-committee members met twice in 2017 with PSC staff. A final version of the by-laws is expected to be tabled for Joint Fund Committee consideration in April 2018.

Fund Committee SharePoint Site

Within the last few months of 2017, a SharePoint site was built and configured for the dedicated use of Fund Committee members. This marks a milestone for the Committees, for it was they who first gave financial support to the roll-out of SharePoint as a tool for the PSC. Four years ago, in December 2013 the Fund Committees granted CDN \$64,320 to fund the initial purchase of

computer hardware and software infrastructure upgrades at the PSC Secretariat offices to make implementation of SharePoint possible.

SharePoint is an information and document management solution that does and will support an array of PSC bodies with virtual workspace, data archives, document libraries, and other functions accessible online.

In April 2014 the Fund Committees approved a further grant of CDN \$85,000 for building and implementing the PSC Secretariat's internal office SharePoint site and sites for other PSC bodies besides the Fund, including the Chinook Technical Committee, the Fraser Panel Technical Committee, the Commissioners, the administrative branch of the U.S. section and, early in 2018, the Chum Technical Committee portal is expected to be launched.

Northern Fund Committee Meetings

The Northern Fund Committee met in separate session on three occasions during 2017.

February 21st and 22nd (p.m. only), 2017

- Final selection of Northern Fund projects for funding in 2017.
- Discussions with Southern Fund on funding strategies and co-funding for the *Very High Priority Chinook* projects.
- Development of specific performance criteria for selected *Very High Priority Chinook* projects.
- Technical feedback to proponents from the technical advisors to the N Fund.
- Final report reviews and formatting.
- Posting of N Fund final reports on the PSC website.

April 26th (p.m. only), 2017

- Performance criteria for selected very high priority chinook projects as proposed by the Committee's bilateral technical support personnel.
- Potential for a Call for Proposals for 2018.
- Fund financial obligations in 2018.
- Consideration of Year 4 very high priority Chapter 3 chinook projects.
- Timetable for Call for Proposals.

October 2nd and 3rd, 2017.

- First round selection of 2018 Northern Fund project concepts to be invited to proceed to Stage Two detailed proposals.
- Review of audited financial statements.

Southern Fund Committee Meetings

The Southern Fund Committee met in separate session three times during 2017.

February 21st (p.m. only) and 22nd (a.m. only), 2017

- Final selection of Southern Fund projects for funding in 2017.

- Discussions with Northern Fund on funding strategies and co-funding for the very high priority chinook projects.

April 26th (p.m. only), 2017.

- Annual report on Year 3 (2016) of the Salish Sea Marine Survival Program from U.S. and Canadian partners Long Live the Kings & the Pacific Salmon Foundation.
- Potential for a Call for Proposals for 2018.
- Fund financial obligations in 2018.
- Consideration of Year 4 very high priority Chapter 3 chinook projects.
- Timetable for Call for Proposals.
- Revision of honoraria payments made to Canadian non-agency Committee members.

September 14th, 2017.

- First round selection of 2018 Southern Fund project concepts to be invited to proceed to Stage Two detailed proposals.
- Review of audited financial statements.

Investment Sub-Committee Meetings

The Investment Sub-Committee met five times during 2017.

January 19th, 2017

- Initial conference call with Aon Hewitt staff to launch an analysis of the Fund’s investment policy asset mix by reviewing the current asset mix and identify opportunities to improve the risk-reward profile by investigating additional asset classes and potentially changing the mix between fixed income and variable income asset classes. During this call, the sub-committee reviewed and established Aon Hewitt’s modeling parameters and the assumptions that would underpin the report.

April 25th, 2017

- An in-person meeting with Aon Hewitt staff to review their Asset Mix Optimization Report and develop a final recommendation for the new asset mix and a preliminary action plan for implementation to be presented to the Joint Fund Committee later the same day.

June 15th and 16th, 2017

- Members of the sub-committee with Fund staff and the consultant from Aon Hewitt met over two days to develop recommendations for the Joint Fund Committee to transfer the Fund’s infrastructure assets from “listed” to “direct”; and to move 10% of the fixed income portfolio to Canadian mortgages. Two direct infrastructure managers were interviewed - IFM Investors (U.S.), LLC; and Colonial First State Infrastructure Managers. IFM was selected. Two mortgage managers were interviewed: ACM Advisors Ltd; and Greystone Managed Investments Inc. ACM was selected.

August 23rd, 2017

- Conference call with Aon Hewitt staff to review the results of their research and analysis of selected active fixed income managers. Four managers were profiled and all four were selected by the sub-committee to be invited to in-person interviews in Vancouver.

September 13th, 2017

- Members of the sub-committee with Fund staff and the consultant from Aon Hewitt interviewed representatives from MFS Investment Management; CIBC Asset Management; Philips, Hager and North Investment Management; and, PIMCO. Philips, Hager and North was selected to be recommended to the full Joint Fund Committee as the new core plus fixed income strategy manager for the master trust.

By-laws Sub-Committee Meetings

The By-laws Sub-Committee met twice during 2017.

October 3rd, 2017

- Initial meeting of Northern Fund sub-committee members and PSC staff.

November 8th, 2017

- Meeting of Northern & Southern Fund sub-committee members and PSC staff.

2017 Call for Proposals for projects in 2018/19

Both Fund Committees issued Calls for Proposals in mid-2017 for projects starting in 2018 including once again soliciting proposals for *Very High Priority Chinook* projects. In the Calls, both Committees included a list of six *Very High Priority Chinook* themes for projects to support the implementation of Annex IV, Chapter 3. The list of themes was recommended to the Fund Committees by the Pacific Salmon Commission in consultation with the Chinook Technical Committee (CTC).

The Northern Fund Committee received a total of 94 proposals requesting U.S. \$6.76 million. At the first round review meeting in October 2017, 68 of the proposals were selected to move to the second round detailed proposal stage having a total value of U.S. \$4.9 million. Bilateral technical reviews of the detailed proposals took place in January 2018 and a final decision on 2018 funding will be made at a meeting of the Northern Fund Committee in mid-February 2018.

The Southern Fund Committee focused its 2018 Call for Proposals on specific priorities identified by the Pacific Salmon Commission's Fraser River and Southern Panels as well as the very high priority chinook themes recommended by the Commission. The Fund Committee accepted 46 proposals requesting U.S. \$3.6 million. During the first round review meeting in September the Southern Fund Committee approved 10 multi-year, on-going proposals and 31 new proposals that together were in total requesting U.S. \$3.4 million to move to the second stage. The final decisions on 2018 funding will be made at a meeting of the Southern Fund Committee in mid-February 2018.

Yukon River Panel Restoration and Enhancement Fund

In March 2011, PSC Fund staff were assigned responsibility for the administration of the Yukon River Panel's Restoration and Enhancement Fund (R&E Fund). 2017 was the seventh year in which PSC Secretariat Fund staff have administered the R&E Fund.

The Yukon River Panel continued to place emphasis on Chinook Restoration priorities in their R&E Fund selection of projects to be funded in 2017; this in response to the decline of Yukon River Chinook salmon stocks experienced in recent years.

In 2017, a total of 32 projects were selected for R&E funding, of which, 24 were on-going multi-year projects and 8 were new. In U.S. dollar terms 63% of the funds were directed towards Conservation projects; 14% to Restoration; 10% towards Stewardship; and 13% towards Communications.

Funds in the amount of U.S. \$1,489,205 were allocated to projects. This sum was comprised of the annual U.S. \$1.2 million disbursement supplemented by unspent funds held by the Panel from previous years.

During 2017 PSC Fund staff redesigned and launched a new website for the Yukon River Panel which can be accessed at <http://www.yukonriverpanel.com/>. In addition, Fund staff facilitated a workshop held in Anchorage, AK in September 2017 to update the Panel's Budget Priorities Framework document and to offer remodeled and refreshed design ideas for the final product.