



**Annual Report of the  
Southern Boundary Restoration and Enhancement Fund and the  
Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund  
for the year 2021.**

***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 CAD \$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:**

Mr. Steve Gotch  
Chief Russ Jones  
Mr. John McCulloch

**United States:**

Mr. Doug Mecum  
Mr. Bill Auger  
Mr. Doug Vincent-Lang

Southern Fund Committee

**Canada:**

Dr. Laura Brown  
Dr. Don Hall  
Mr. Mike Griswold

**United States:**

Mr. Larry Peck  
Dr. Peter Dygert  
Mr. Joe Oatman

## *Executive Summary*

- The market value of the fund on December 31, 2021, was approximately USD \$273,308,000 or CAD \$345,229,000.
- Investment market momentum continued in 2021, with the restart of economic activity resulting in stocks having another year of strong gains overall. North American markets were among the strongest, while Emerging Markets struggled. However, the gains in most stock markets came with falling bond returns as interest rates began to rise as well as price pressures and supply bottlenecks. With inflation at the highest rates seen in several years, it remains to be seen how long it will last and whether or how governments will respond.
- In 2021 the Southern Fund supported 41 projects. Grants awarded totaled U.S. \$3 million. The Northern Fund supported 52 projects and grants awarded totaled U.S. \$5.05 million.
- Since 2004, the Northern and Southern Fund Committees have approved grants of U.S. \$109.03 million to a total of 1480 projects. In addition, the funds contributed U.S. \$10 million to the *Sentinel Stocks Program*.
- In 2021 the Northern and Southern Fund Committee members met together as a Joint Fund Committee on two occasions (May 10, and November 22 and 23). The Northern Fund Committee met on three occasions, and the Southern Fund Committee met on four occasions. Most meetings were held virtually due to COVID-19 public health and travel restrictions.
- In 2021 the Northern and Southern Fund Committees each took steps to identify and address overdue reporting from previous funding cycles. The Committees have reviewed their processes and have implemented new measures designed to significantly improve compliance with project reporting requirements. The Committees and PSC secretariat staff also undertook a number of significant tasks associated with improving the administration of grants in 2021, such as formalizing their procedures for reviewing and selecting projects to support and transitioning to new administrative systems.
- Chief Russ Jones was appointed to the Canadian Section of the Northern Fund Committee on February 22, 2021, replacing Dr. Carmel Lowe.

## ***Investment Review***

Over the year, the investment portfolio performed well overall, with returns above 12% for 2021 (in both Canadian and US dollar terms), well above the target of exceeding inflation by 3.5%. Positive performance in the portfolio was primarily due to public equity and real estate investments where returns from the fund managers ranged between 18-25%. Returns from the infrastructure investments were not far behind, with smaller positive results within the portfolio's mortgage investments. The Fund's bond portfolio contributed negative returns as did most bond portfolios over the year.

With respect to equity investments, the portfolio's passive U.S. equity manager, BlackRock, continued to achieve its objective of replicating the performance of its benchmark in one of the strongest performing markets for the third year in a row. The broad U.S. equity benchmark used by the fund was up almost 25% for 2021 in Canadian dollar terms. For the global equity mandates, PH&N underperformed their benchmark while Morgan Stanley outperformed thanks to a strong finish to the year. Both managers finished the year with returns near 20%.

With respect to fixed income investments, interest rates rose during the year, leading to negative returns, particularly for longer term bonds. Rates rose quickly in the early part of 2021, but had come back down some by mid-year, only to rise again in the fall before declining again late in the year, ending 2021 at close to pre-COVID levels for mid- and longer-term ranges. The PH&N Core Plus Bond Fund finished the year with negative returns, but above its benchmark, while ACM's mortgage mandate had a modest positive return over the year.

Lastly, the portfolio's alternative investments provided solid results in 2021. The U.S. Real Estate manager, Invesco, had strong positive returns, reflecting a recovery from losses the prior year related to the impacts of COVID. IFM's infrastructure mandate also brought strong positive returns. The newer infrastructure mandate with Axium gradually started to become funded over the year, but given the short timeframe thus far, meaningful returns are not yet available.

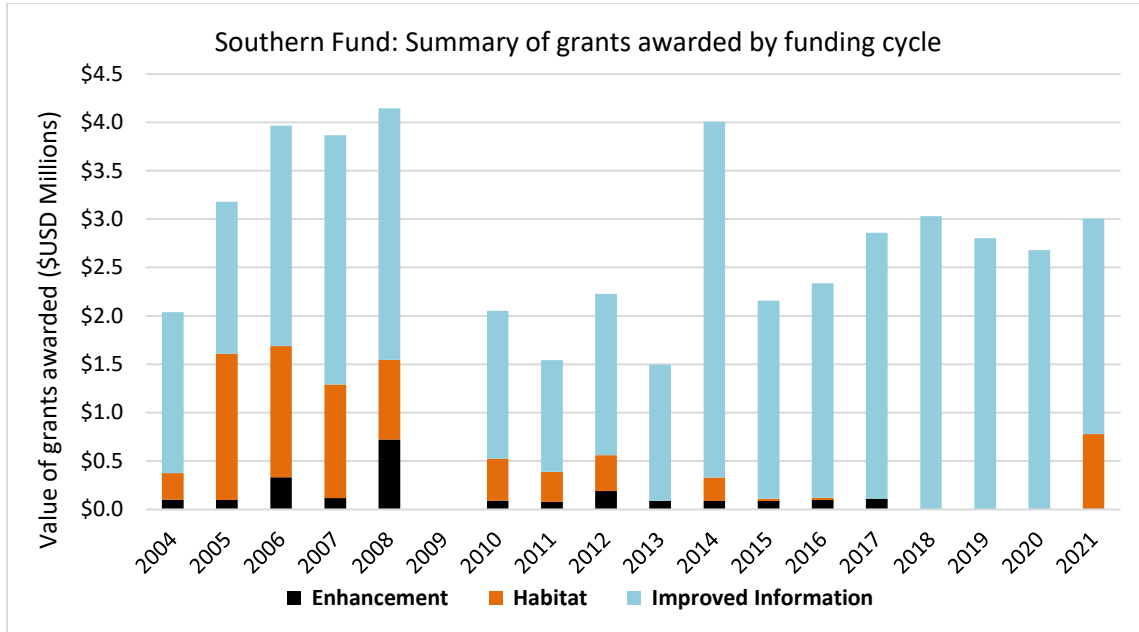
Total contributed capital (nominal) was U.S. \$140,065,000 (the equivalent of CAD \$209,796,000 using the exchange rate at the time the last installment was made). Actual fund market value on December 31<sup>st</sup>, 2021, was approximately USD \$273,308,000 or CAD \$345,229,000.

Contributed capital and asset value of the individual funds as of December 31<sup>st</sup>, 2021, stood as follows:

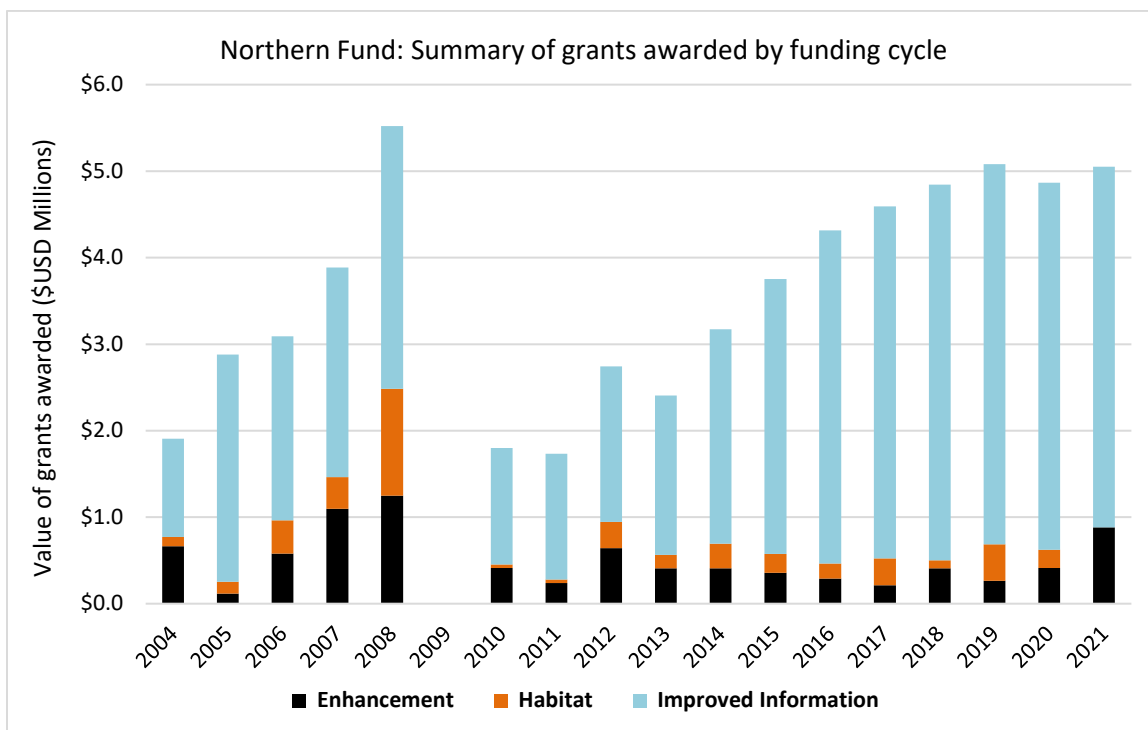
	<b>Contributed Capital</b>	<b>Asset Value</b>
<b>Northern:</b>	U.S. \$75,000,000 CAD \$112,388,000	U.S. \$145,817,000 CAD \$184,189,000
<b>Southern:</b>	U.S. \$65,000,000 CAD \$97,408,000	U.S. \$127,491,000 CAD \$161,040,000

## 2021 Project Funding

In 2021 the Southern Fund supported 41 projects. Grants awarded totaled U.S. \$3 million. Projects addressing specific priorities identified by the Pacific Salmon Commission’s Fraser River Panel and Southern Panel accounted for U.S. \$1.9 million of grants awarded (63%).

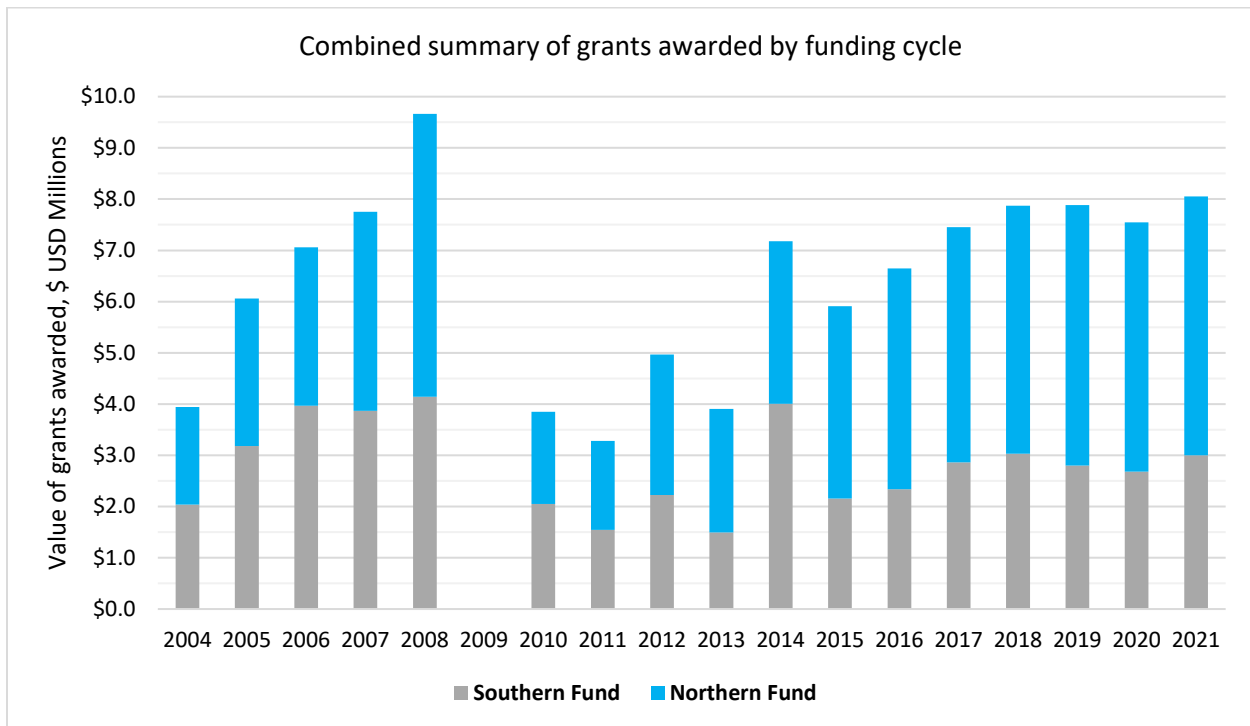


In 2021 the Northern Fund supported 52 projects. Grants awarded totaled U.S. \$5.05 million. Five projects with a total value of U.S. \$881,892 were classified as Enhancement projects and 47 projects with a total value of U.S. \$4.17 million were classified as Improved Information projects.



Between 2004 and 2021 the Northern Fund has awarded grants worth U.S. \$61.64 million to 834 projects. Over this same period the Southern Fund has granted U.S. \$47.39 million to 646 projects.

Total Fund project grants awarded to date are U.S. \$109.03 million in support of 1480 projects. Included in this total is U.S. \$5 million from the Southern Fund to the Salish Sea Marine Survival Program. In addition to these amounts, the Chinook Sentinel Stocks Program was funded jointly by the Northern and Southern Funds between 2009 and 2014 for U.S. \$10 million.



### ***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 investment advisors and managers, it is appropriate to meet together periodically as a Joint Fund Committee. The two Fund Committees met together as Joint Fund Committee twice in 2021.

#### *Spring Meeting: May 10, 2021*

This meeting was held virtually. The agenda included:

- Receipt and review of Q4 (2020) and Q1 (2021) investment performance reports from the Committee’s investment consultants, George & Bell Consulting.
- A review of the costs of fund administration in the previous financial year, and the review and approval of a budget for fund administration in FY 2021/22.
- Finalization of an onboarding / orientation pack for new Fund Committee members.
- Adoption of guidance clarifying how honoraria payments are made to eligible Fund Committee members.

- A discussion about the possibility of developing bilaterally recognized standards for projects that receive support from the Endowment Funds which involve Genetic Stock Identification techniques.
- A review of the workplan for the PSC Fund Manager, and a review of the staff support provided to the Fund Committees by the Secretariat in the prior year.

*Fall Meeting: November 22 and 23, 2021*

Some members attended this meeting in-person at the PSC offices in Vancouver, other members connected virtually. The agenda included:

- The receipt and review of Q2 and Q3 investment performance reports from George & Bell Consulting.
- The review and approval of the Committee’s updated Statement of Investment Policies and Procedures.
- An update on the progress made towards recovering withholding taxes associated with the Committee’s investments, provided by Ms. Manisali (PSC Director of Finance) and a discussion and decision about how to proceed with managing withholding taxes in future.
- A discussion about the appropriateness of different investment structures for fund investments, including investment manager fee structures.
- Receipt of an educational update from George & Bell consulting regarding Environmental, Social and Governance principles in investing, how these have changed over time, and the extent to which the Committee’s investment managers incorporate these into their investment processes.
- Presentations / interviews with three of the Committee’s current investment managers: Morgan Stanley, Invesco and PH&N Institutional.
- A discussion about the next steps to take to pursue the development of bilaterally recognized standards for projects involving Genetic Stock Identification techniques.
- The review and approval of an updated policy for the payment of honoraria.
- Receipt of the results of the FY 2020/21 audit of the Endowment Funds, which did not identify any issues, and the approval of the associated financial statements.
- The PSC Secretariat provided a proposal to the Joint Fund Committee which seeks to restructure the manner in which annual PSC Secretariat administrative service costs are determined and reimbursed. The proposal identified a “fixed” administrative service fee of \$434K/year (inclusive of a 5% year-to-year inflationary adjustment” for a 5-year period starting in 2021-22. The Committee deferred decision on the proposal until its spring 2022 meeting.

### ***Northern Fund Committee Meetings***

The Northern Fund Committee met on three occasions in 2021.

1. February 23-24 (virtual meeting): The Committee met to make final decisions about the projects to support in 2021. The Committee also reviewed compliance with Northern Fund reporting requirements in previous years, and took initial steps to address outstanding project reports.

2. May 12 (virtual meeting): The Committee met to agree the scope, priorities, and timetable for the next Northern Fund Call for Proposals. The Committee also formally adopted an internal policy document detailing their procedures for proposal submission, review and evaluation and discussed and took further steps to address outstanding reporting associated with projects supported by the Northern Fund in the past.
3. September 29 (hybrid meeting): The Committee met to make decisions about the project concepts to advance to the detailed proposal stage. The Committee also received an update on progress towards addressing outstanding reports; formally adopted their procedures for managing project change requests; further discussed the potential development of bilaterally recognized standards for projects involving Genetic Stock Identification techniques; discussed the formulation of their spending policy; and reviewed actual (vs. budgeted) expenditures on Northern Fund projects.

### ***Southern Fund Committee Meetings***

The Southern Fund Committee met four times in 2021.

1. February 25 (virtual): The Committee met to make final decisions about the projects to support in 2021.
2. May 11 (virtual): The Committee met to agree the scope, priorities, and timetable for the next Southern Fund Call for Proposals. The Committee also met with representatives of Long Live the Kings and the Pacific Salmon Foundation to discuss the outcomes of the Salish Sea Marine Survival Program; discussed their procedures for assessing habitat-related proposals; and agreed to a new process for engaging the Coho Technical Committee to review relevant proposals. The Committee also formally adopted a document detailing their procedures for reviewing, evaluating, and approving project proposals. The Committee received an initial report detailing outstanding project reports.
3. July 29 (virtual): The Committee met to receive a detailed report from the Secretariat regarding overdue project reports associated with projects previously supported by the Committee, and made decisions about addressing this issue and ensuring compliance with Southern Fund reporting requirements in future.
4. September 28 (hybrid): The Committee met to make decisions about the project concepts to advance to the detailed proposal stage. The Committee also discussed their procedures for reviewing habitat related proposals and received a further report detailing outstanding project reports still due to the Committee.

### ***Committee Appointments***

Chief Russ Jones was appointed to the Canadian Section of the Northern Fund Committee on February 22, 2021, replacing Dr. Carmel Lowe.

### ***2021 Call for Proposals for projects in 2022/23***

Both Fund Committees issued a Call for Proposals in June 2021 for projects starting in 2022.

The Southern Fund Committee focused its 2022 Call for Proposals on habitat restoration projects and specific priorities identified by the Pacific Salmon Commission's Fraser River and Southern

Panels. In response, the Committee received 50 proposals requesting approximately U.S. \$4 million. During the first-round review meeting the Committee selected 47 of these proposals to move to the second stage. The final decisions on 2022 funding will be made in February 2022.

The Northern Fund Committee focused its 2022 Call for Proposals on projects seeking to develop improved information for resource management; the rehabilitation and restoration of marine and freshwater fish habitat; the enhancement of wild-stock production through low technology techniques and proposals responsive to the recommendations and objectives set out within the PSC's Transboundary Panel Strategic Salmon Plan. The Committee received a total of 61 concept stage proposals requesting approximately U.S. \$7.1 million. 43 proposals were selected to move to the second-round detailed proposal stage (some related proposals were combined into single applications at stage 2). Bilateral technical reviews of the detailed proposals will take place in January 2022 and final decisions will be made in February 2022.