



**Annual Report of the
Southern Boundary Restoration and Enhancement Fund and the
Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund
for the year 2022.**

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 Vincent-Lang
Mr. Bill Auger
Mr. Doug Mecum / Mr. Andrew Gray

Southern Fund Committee

Canada:

Mr. Neil Davis
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, 2022, was approximately USD \$244,890,000 or CAD \$331,829,000.
- Both equity and bond markets experienced negative absolute returns in 2022 while private markets (infrastructure, real estate) held up with positive absolute returns. The first half of 2022 saw significant weakness in financial markets and global economies due to high inflation, rising interest rates and Russia's invasion of Ukraine. The second half of 2022 was volatile, but public markets recovered slightly in the fourth quarter of 2022. Inflation rose in both Canada and the U.S. throughout 2022. In response both Canadian and U.S. central banks increased interest rates throughout the year from 0.25% in January to 4.25% and 4.5% respectively by the end of December.
- In 2022 the Southern Fund supported 44 projects. Grants awarded totaled U.S. \$3.36 million. The Northern Fund supported 43 projects and grants awarded totaled U.S. \$5.93 million.
- Since 2004, the Northern and Southern Fund Committees have approved grants of U.S. \$118.33 million to a total of 1567 projects. In addition, the funds contributed U.S. \$10 million to the *Sentinel Stocks Program*.
- In 2022 the Northern and Southern Fund Committee members met together as a Joint Fund Committee on two occasions (May 4, and November 16 and 17). A Finance Sub Committee comprised of members from the Northern and Southern Fund Committees was established and met once on October 25. The Northern Fund Committee met on three occasions; the Southern Fund Committee met on five occasions, including a two-day tour of project sites on the Skagit River watershed in Washington State. Meetings were held both virtually and in hybrid formats, with the resumption of in-person meetings in May following reduction of COVID-19 public health and travel restrictions.
- In 2022 the Northern and Southern Fund Committees each took steps to update their spending policy, drawing non-discretionary investment management fees prior to determining an annual spending limit, effectively increasing the amount available for project grants annually. The Committees updated their procedures for reviewing proposals and developed guidelines regarding proponent eligibility associated with overdue project reporting. PSC secretariat staff continued to undertake tasks associated with improving the administration of grants in 2022 and implemented a new system for displaying project reports on the PSC website.
- Mr. Neil Davis was appointed to the Canadian Section of the Southern Fund Committee on February 22, 2022, replacing Dr. Laura Brown as Canadian Co-Chair.
- Mr. Andrew Gray was temporarily appointed to the US Section of the Northern Fund Committee on August 29, 2022, serving as the US Government representative until a permanent replacement for Mr. Doug Mecum is confirmed.
- Ms. Sascha Bendt was appointed to the position of Grant Program Manager at the Pacific Salmon Commission Secretariat effective July 18, 2022, replacing Mr. Tom Alpe.

Investment Review

Over the year, the investment portfolio had net returns of approximately -4.3% in CAD (-10.4% in USD), falling behind the target of exceeding inflation by 3.5%. The benchmark was not exceeded due to high inflation and weak performance of the portfolio in both equities and fixed income investments. Infrastructure and real estate investments performed well and added value in the challenging market environment of 2022.

Due to the rising uncertainties regarding the Russia-Ukraine war, global stock markets were negatively affected and the return of the MSCI World (Net) Index in CAD was -12.2% for 2022. PH&N underperformed this benchmark over the year while Morgan Stanley outperformed. The portfolio's passive U.S. equity manager, BlackRock, continued to achieve its objective of replicating the performance of its benchmark index. The U.S. equity benchmark used by BlackRock was -13.3% for 2022 in Canadian dollar terms.

With respect to fixed income investments, interest rates rose during the year, leading to negative returns for the second consecutive year, particularly for longer term bonds. Canadian interest rates went from 0.25% in January to 4.25% by the end of December 2022. In 2022, the PH&N Core Plus Bond Fund finished the year with negative returns, but slightly above its benchmark which returned -11.7% in CAD. ACM's mortgage mandate did not suffer as much since it has a short duration and had positive value-add at an 0.8% return over the year compared to its' benchmark return of -3.1% in CAD.

Lastly, the portfolio's alternative investments provided solid results once again in 2022. The U.S. Real Estate manager, Invesco, returned an estimated 14.0% in CAD (6.7% in USD) throughout the year. IFM's infrastructure mandate achieved positive returns of 10.5% in CAD (3.4% in USD) in 2022. The infrastructure mandate with Axiom was fully funded at the end of May 2022. Axiom Infrastructure US II returned 15.3% in CAD (6.7% in USD) as of September 30, 2022. Axiom Infrastructure Canada II had a positive return of 6.7% in CAD but -1.3% in USD as of the end of third quarter of 2022.

Asset Transitions

Changes resulting from the Fund's asset mix review in November 2020 have been implemented with the infrastructure funds now fully funded. A simplified asset mix analysis was completed for the Joint Fund Committee by George & Bell Consulting in November 2022 to determine if any potential improvements could be made to the current asset mix targets. The resulting Committee decision was to maintain the current asset mix.

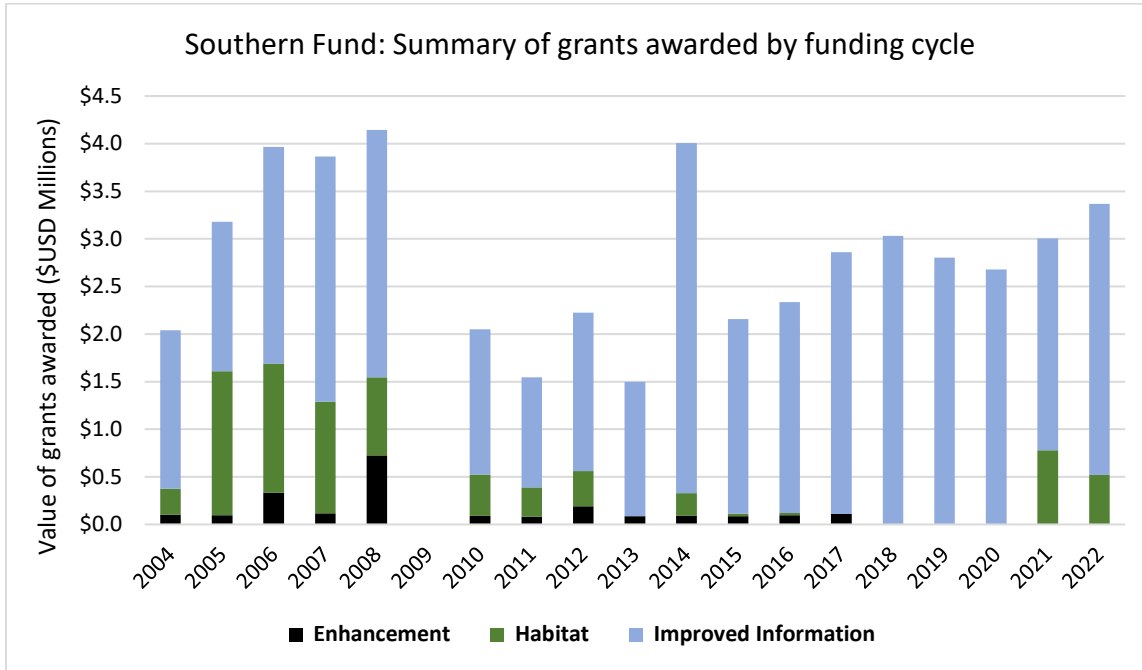
Total contributed capital (nominal) was U.S. \$140,065,000 (the equivalent of CAD \$209,796,000 using the exchange rate at the time the last installment was made). Actual fund market value on December 31st, 2022, was approximately USD \$244,890,000 or CAD \$331,829,000.

Contributed capital and asset value of the individual funds as of December 31st, 2022, stood as follows:

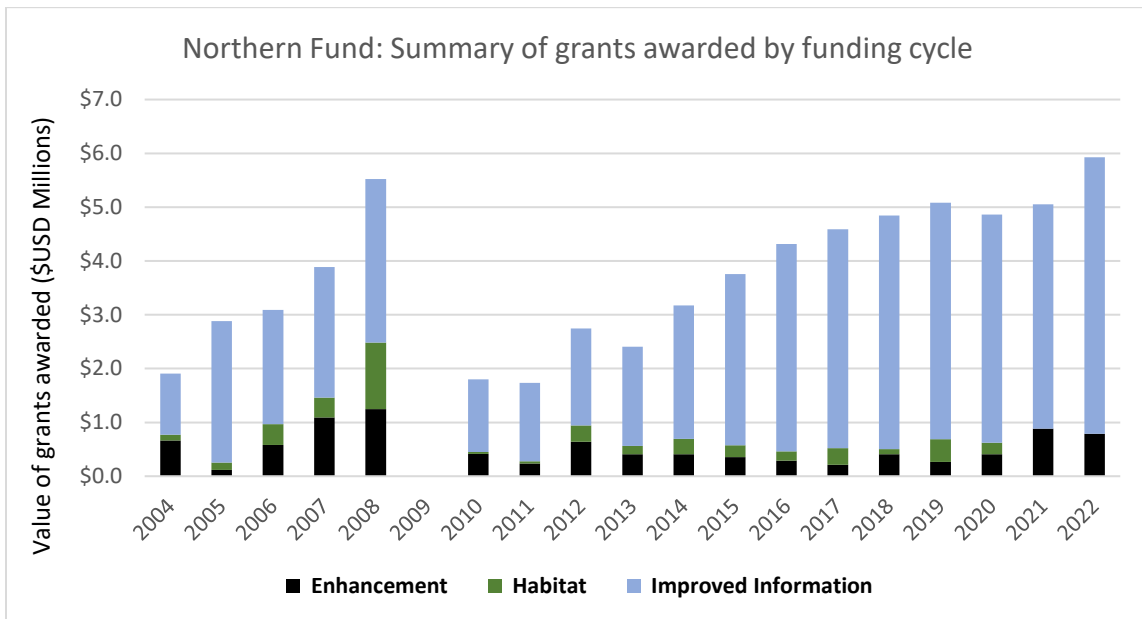
	Contributed Capital	Asset Value
Northern:	U.S. \$75,000,000 CAD \$112,388,000	U.S. \$131,056,000 CAD \$177,582,000
Southern:	U.S. \$65,000,000 CAD \$97,408,000	U.S. \$113,834,000 CAD \$154,247,000

2022 Project Funding

In 2022 the Southern Fund supported 44 projects. Grants awarded totaled U.S. \$3.36 million. Projects addressing specific priorities identified by the Pacific Salmon Commission’s Fraser River Panel and Southern Panel accounted for U.S. \$2.23 million of grants awarded (66%).

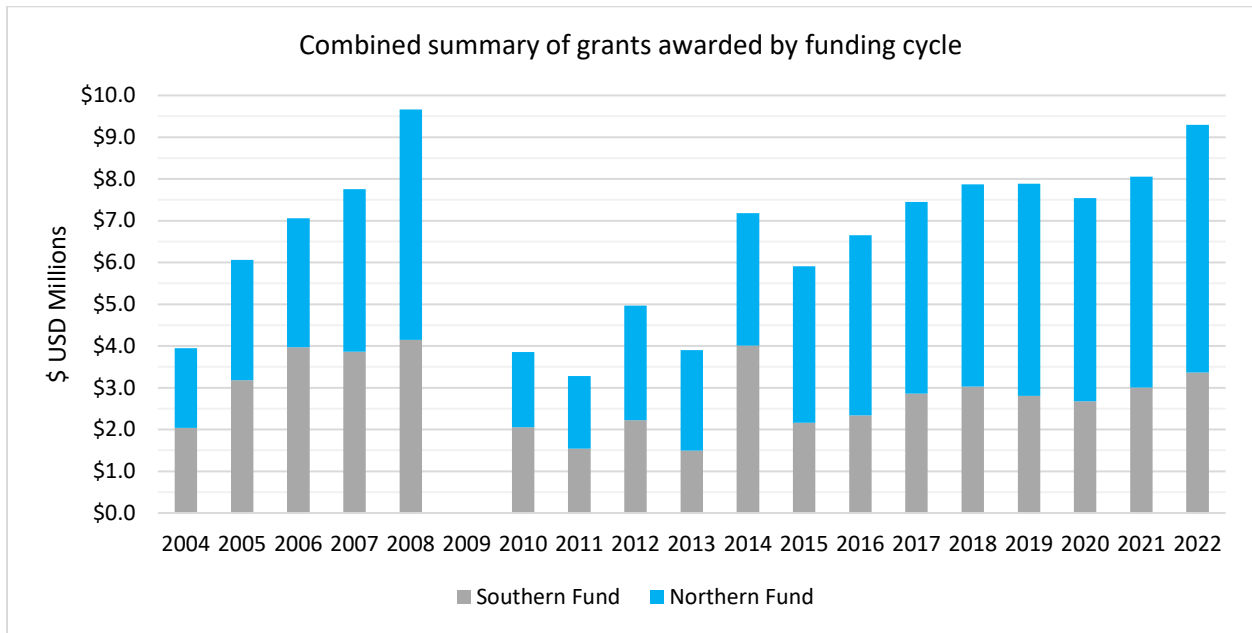


In 2022 the Northern Fund supported 43 projects. Grants awarded totaled U.S. \$5.93 million. Five projects with a total value of U.S. \$786,240 were classified as Enhancement projects, 38 projects with a total value of U.S. \$5.14 million were classified as Improved Information projects, while no Habitat projects received grant funding.



Between 2004 and 2022 the Northern Fund has awarded grants worth U.S. \$67.57 million to 877 projects. Over this same period the Southern Fund has granted U.S. \$50.76 million to 690 projects.

Total Fund project grants awarded to date are U.S. \$118.33 million in support of 1567 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 periodically as a Joint Fund Committee. The two Fund Committees met together as Joint Fund Committee twice in 2022.

Spring Meeting: May 4, 2022

Members attended the meeting both in-person at the PSC offices in Vancouver and virtually. The meeting agenda included:

- Receipt and review of Q4 (2021) and Q1 (2022) investment performance reports and Inflation Impact memorandum from the Committee’s investment consultants, George & Bell Consulting.
- Spending policy adjustments for consideration of both Fund Committees.
- Amendments to honoraria payment policy for eligible Fund Committee members.

- Further discussion on the possibility of developing bilaterally recognized standards for projects that receive support from the Endowment Funds which involve Genetic Stock Identification techniques.
- Receipt of a presentation from Genome BC about the organization, the salmon focused projects they have supported, and opportunities for collaboration.
- 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 2022/23. The Committee revisited a proposal provided by the PSC Secretariat which sought to restructure the way annual PSC Secretariat administrative service costs are determined and reimbursed. The Committee established a Finance Sub Committee to further review the proposal prior to its fall 2022 meeting for consideration for the FY 2023/24 budget.
- A review of the workplan for the PSC Fund Manager, the recruitment process for the Fund Manager position, and a review of the staff support provided to the Fund Committees by the Secretariat in the prior year.

Fall Meeting: November 16 and 17, 2022

Members attended the meeting both in-person at the PSC offices in Vancouver and virtually. The meeting agenda included:

- The receipt and review of Q2 and Q3 investment performance reports and Asset Mix Analysis memorandum from George & Bell Consulting.
- The review and approval of the Committee's updated Statement of Investment Policies and Procedures.
- Presentations / interviews with three of the Committees' current investment managers: PH&N Institutional, IFM, and Axiom Infrastructure.
- A presentation from the PSC Grant Program Manager on communication opportunities, assessing the current process and tools to utilize to increase program awareness.
- Review of the results of the FY 2021/22 audit of the Endowment Funds, which did not identify any issues, and associated financial statements, which had been approved at the Finance Sub Committee meeting in October.
- Review of the Q4-2021 Morgan Stanley invoicing error and the desire to develop audit processes to verify invoices for services submitted to the Endowment Funds for payment.
- An update from the Finance Sub Committee on the PSC Secretariat proposal to restructure the annual PSC Secretariat administrative service costs, and short-term staff funding request.
- Items of mutual interest from both Northern Fund Committee and Southern Fund Committee meetings.

Joint Fund Committee Finance Sub Committee Meeting

The Finance Sub Committee was initiated at the spring 2022 Joint Fund Committee meeting as a venue to have more detailed discussion on annual financial statements and create administrative efficiencies in the Joint Fund Committee process. Mr. Steve Gotch, Mr. Doug Vincent-Lang, Mr. Larry Peck and Dr. Don Hall volunteered for the Sub Committee. The Sub Committee met once in 2022.

October 25, 2022

This meeting was held virtually. The meeting agenda included:

- Receipt of the results of the FY 2021/22 audit of the Endowment Funds, which did not identify any issues, and the approval of the associated financial statements.
- Discussion on overall role of the Sub Committee in relation to the Joint Fund Committee.
- Further review of the PSC Secretariat proposal to restructure the way the PSC Secretariat recovers operating costs from the endowment funds.
- Review of Northern Fund Committee approach towards PSC Secretariat short term funding requests through the endowment funds and ways to incorporate requests of this nature in the overall administrative budget.

Northern Fund Committee Meetings

The Northern Fund Committee met on three occasions in 2022.

1. February 23 (virtual meeting): The Committee met to make final decisions about the projects to support in 2022. The Committee also reviewed a proposal to update their spending policy; the compliance of projects and their reporting requirements and made decisions about how to address projects with overdue reporting; and proposed changes to honoraria policy.
2. May 3 (hybrid meeting): The Committee met to confirm the scope, priorities, and timetable for the 2023 Northern Fund Call for Proposals. The Committee also reached decision to adjust the Northern Fund spending policy drawing non-discretionary investment management fees prior to determining an annual spending limit. The Committee also formally adopted an internal policy document detailing procedures regarding the consequences of overdue project reporting and restricting proponent submission of new projects where there are outstanding (overdue) reporting requirements.
3. September 27 & 28 (hybrid meeting): The Committee met to make decisions about the selection of project concepts to advance to the detailed proposal stage. The Committee also received an update on overdue project reports and discussed addressing delinquent reporting prior to the detailed proposal deadline. The Committee agreed on changes to the detailed proposal application form, received an update on project change requests, and reviewed actual (vs. budgeted) expenditures on Northern Fund projects.

Southern Fund Committee Meetings

The Southern Fund Committee met five times in 2022.

1. February 21 (virtual meeting): The Committee met to make final decisions about the projects to support in 2022. The Committee also discussed considerations for an update to their spending policy; progress made towards obtaining overdue reports; and engagement of PSC Technical Committees to provide priorities for consideration by the Committee to include in their annual Call for Proposals and the project review process.
2. May 5 (hybrid meeting): The Committee met to agree the scope, priorities, and timetable for the next Southern Fund Call for Proposals. The Committee also agreed to adjust the

Southern Fund spending policy drawing non-discretionary investment management fees prior to determining an annual spending limit, mirroring the changes the Northern Fund made. The Committee also received a report on projects with outstanding reports, received an update on project change requests, and discussed possible field trips.

3. July 18-19 (in-person): Five members of the Committee, along with Fund staff, undertook a field trip to tour project sites on the Skagit River watershed in Washington State.
4. September 7 (hybrid meeting): 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 proposals and eligibility of proponents with overdue reporting; and agreed on minor changes to the detailed proposal application form and guidelines.
5. November 15 (hybrid meeting): The Committee met to receive an update on stage two detailed proposal submissions and next steps. The Committee also received an update from Southern Fund Finance Sub Committee members.

Committee Appointments

Mr. Neil Davis was appointed to the Canadian Section of the Southern Fund Committee on February 22, 2022, replacing Dr. Laura Brown as Canadian Co-Chair.

Mr. Andrew Gray was temporarily appointed to the US Section of the Northern Fund Committee on August 29, 2022, serving as the US Government representative until a permanent replacement for Mr. Doug Mecum is confirmed.

2022 Call for Proposals for projects in 2023/24

Both Fund Committees issued a Call for Proposals in June 2022 for projects starting in 2023.

The Southern Fund Committee focused its 2023 Call for Proposals on habitat restoration projects and specific priorities identified by the Pacific Salmon Commission's Fraser River and Southern Panels, and Chinook Technical Committee. In response, the Committee received 39 proposals requesting approximately U.S. \$3.2 million. During the first-round review meeting the Committee selected 34 of these proposals to move to the second stage. The final decisions on 2023 funding will be made in February 2023.

The Northern Fund Committee focused its 2023 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 57 concept stage proposals requesting approximately U.S. \$7.9 million. 47 proposals were selected to move to the second-round detailed proposal stage. Bilateral technical reviews of the detailed proposals took place in January 2023 and final decisions will be made in February 2023.

Staffing Changes

Ms. Sascha Bendt was appointed to the position of Grant Program Manager at the Pacific Salmon Commission Secretariat effective July 18, 2022, replacing Mr. Tom Alpe.