



**Annual Report of the
Southern Boundary Restoration and Enhancement Fund and the
Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund
for the year 2023.**

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
Dr. Jamal Moss / 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 and Market Environment Summary

- The market value of the fund on December 31, 2023, was approximately USD \$258,165,000 or CAD \$340,416,000.
- Ongoing concerns about high inflation resulted in interest rates continuing to rise in the first half of 2023 from 4.25% as of January 1, 2023, to 5% by July 12, 2023. The effect of these rising interest rates became evident in March-May 2023 when a few regional U.S. banks failed following liquidity issues. In the latter half of 2023, weaker economic data and lower inflation caused central banks to hold interest rates steady. Changing expectations from market participants resulted in significant volatility, particularly in the bond markets, throughout the year.
- In 2023 the Southern Fund supported 29 projects. Grants awarded totaled U.S. \$2.66 million. The Northern Fund supported 42 projects and grants awarded totaled U.S. \$5.86 million.
- Since 2004, the Northern and Southern Fund Committees have approved grants of U.S. \$126.85 million to a total of 1638 projects. In addition, the funds contributed U.S. \$10 million to the *Sentinel Stocks Program*.
- In 2023 the Northern and Southern Fund Committee members met together as a Joint Fund Committee on two occasions (May 3 and 4, and November 15 and 16). The Joint Fund Committee Finance Sub Committee comprised of members from the Northern and Southern Fund Committees met on two occasions (March 29 and October 25). The Northern Fund Committee met on four occasions, including a four-day tour of project sites in the Skeena and Nass River watersheds in Northern British Columbia; the Southern Fund Committee met on three occasions. Meetings were held in hybrid formats.
- In 2023, the Joint Fund Committee developed a communications strategy to guide and advance communications efforts. Each Committee took steps to review reporting requirements and compliance of project proponents. The Committees and PSC secretariat staff continued to undertake tasks associated with streamlining and improving the administration of grants in 2023.
- Dr. Jamal Moss was appointed to the US Section of the Northern Fund Committee on September 7, 2023, as a permanent replacement for Mr. Doug Mecum. Mr. Andrew Gray served as the interim US Government representative until this time.

Investment Review

Over the year, current available data shows the investment portfolio had net returns of approximately 6.9% in CAD (9.5% in USD). Current estimates indicate that the portfolio met or exceeded its inflation plus 3.5% target in both Canadian and US dollar terms. Public equity markets and fixed income markets saw strong absolute performance in 2023. Infrastructure investments also held up and were moderately positive in 2023. By contrast, the US real estate market experienced negative absolute returns over the year.

After a weak year in 2022, the global stock market rebounded with the MSCI World (Net) Index in CAD returning 20.5% for 2023. Both the portfolio's active global equity managers, Morgan Stanley, and PH&N, failed to keep pace and underperformed their benchmark over the past year. The portfolio's passive U.S. equity manager, BlackRock, continued to achieve its objective of replicating the performance of its benchmark index. The broad U.S. equity benchmark was around 22.6% for 2023 in Canadian dollar terms.

With respect to fixed income investments, most of the volatility was caused by rapidly changing investor expectations regarding the likelihood of central banks cutting or raising rates. In the month of November, long bond markets performed particularly well due to sharp declines in bond yields. The PH&N Core Plus Bond mandate finished the year at a 7.2% return and added value-add compared to its benchmark of 6.7% in CAD during the year. The ACM mandate returned 6.8% over the year and outperformed its benchmark return of 6.0% in CAD.

The portfolio's alternative investments provided mixed results in the year of 2023. The U.S. Real Estate manager, Invesco, showed negative absolute performance in 2023 (-16.4% in CAD and -14.4% in USD) and fell short of its benchmark; the commercial real estate market in general has been in a downturn over the past year. IFM's infrastructure mandate achieved positive returns of 7.7% in CAD (10.3% in USD) in 2023. Axiom's return for the year is not yet available, but it is expected to deliver a positive absolute return in 2023.

Morgan Stanley Fee Negotiation

At the November 2022 Joint Fund Committee meeting of the Pacific Salmon Commission (the "Commission"), the Committees tasked George & Bell Consulting to engage with Morgan Stanley with the goal of negotiating changes to the performance-based fee schedule to be better for the Commission. The new performance-based fee schedule was discussed, approved, and the agreement was signed at the end of May 2023. The renegotiation resulted in a recalculation of the 2022 fee payable, which decreased from \$112,534 to \$0.

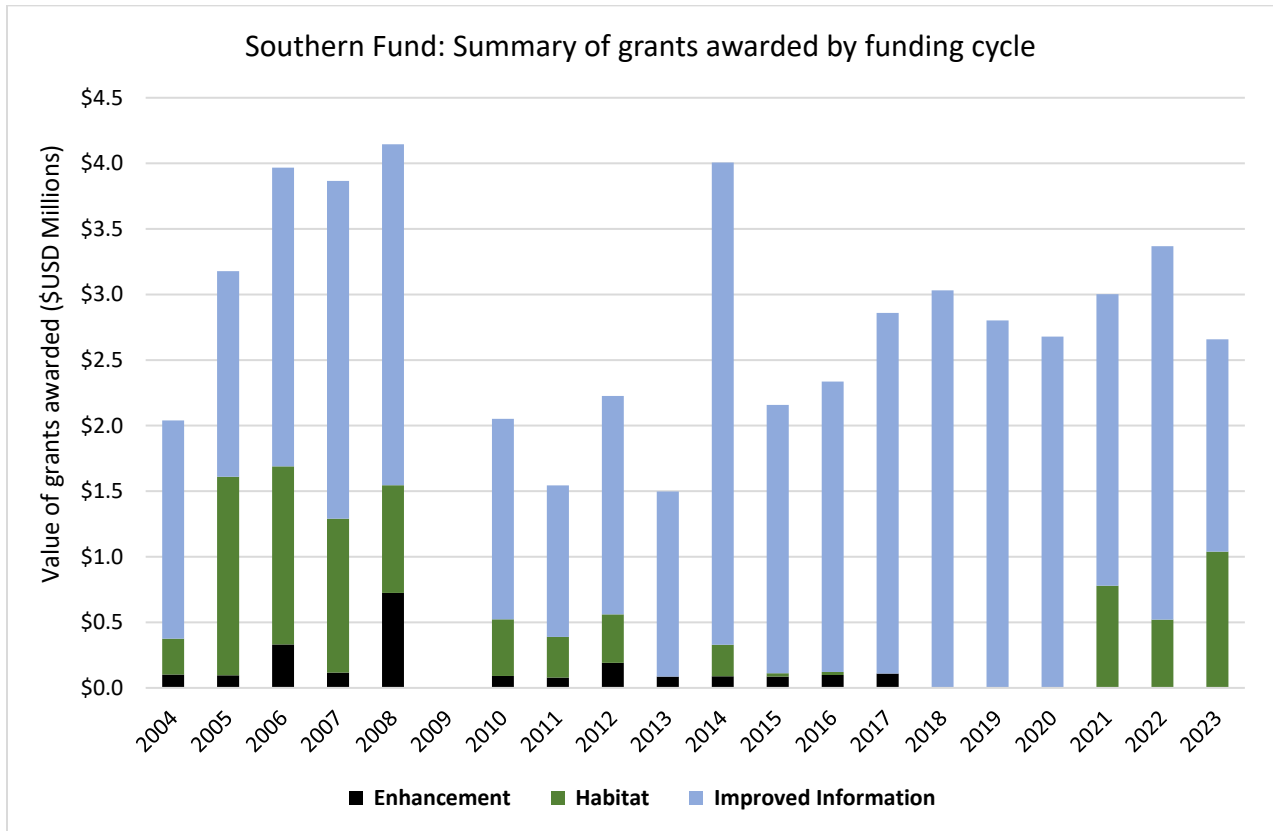
Total contributed capital (nominal) was U.S. \$140,065,000 (the equivalent of CAD \$209,796,000 using the exchange rate at the time the last installment was made). Actual fund market value on December 31st, 2023, was approximately USD \$258,165,000 or CAD \$340,416,000.

Contributed capital and asset value of the individual funds as of December 31st, 2023, stood as follows:

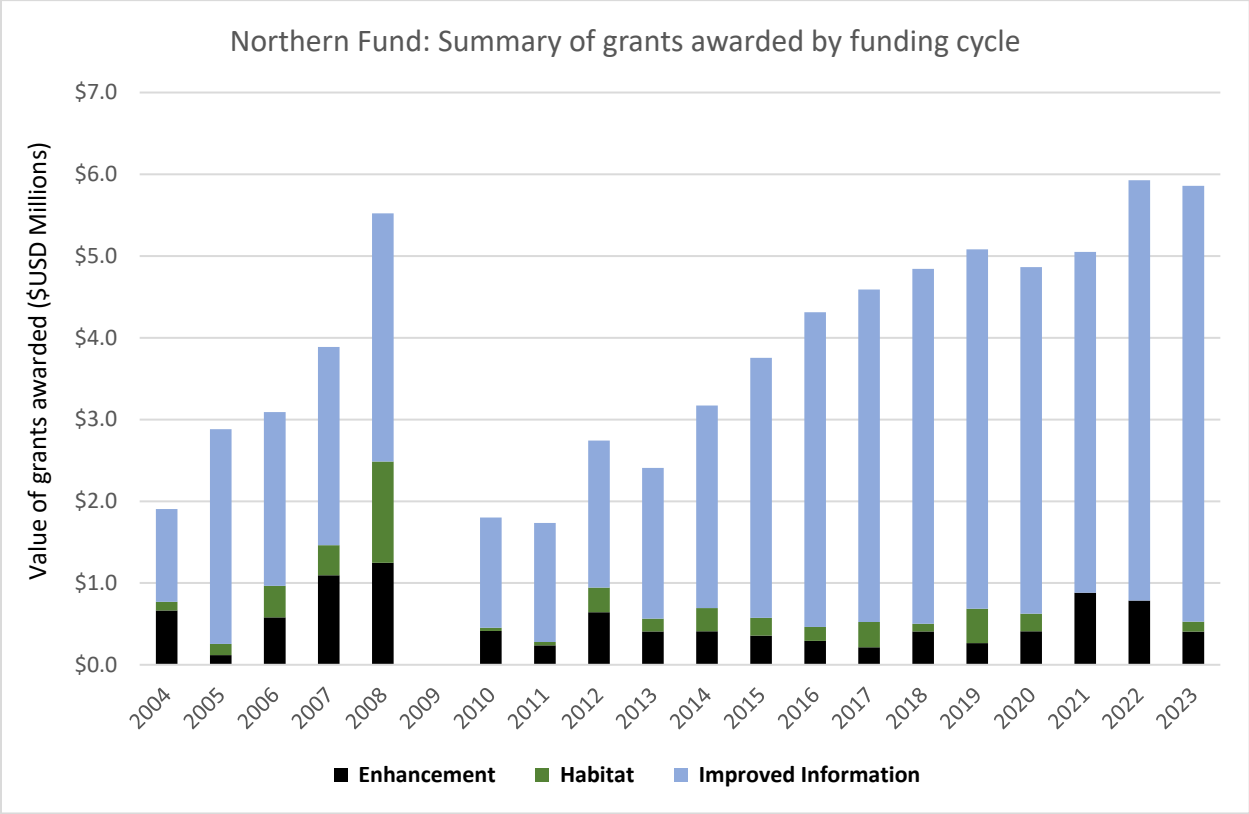
	Contributed Capital	Asset Value
Northern:	U.S. \$75,000,000 CAD \$112,388,000	U.S. \$136,812,000 CAD \$180,400,000
Southern:	U.S. \$65,000,000 CAD \$97,408,000	U.S. \$121,353,000 CAD \$160,016,000

2023 Project Funding

In 2023 the Southern Fund supported 29 projects. Grants awarded totaled U.S. \$2.66 million. Projects addressing specific priorities identified by the Pacific Salmon Commission’s Fraser River Panel, Southern Panel, and Chinook Technical Committee accounted for U.S. \$1.51 million of grants awarded (57%).

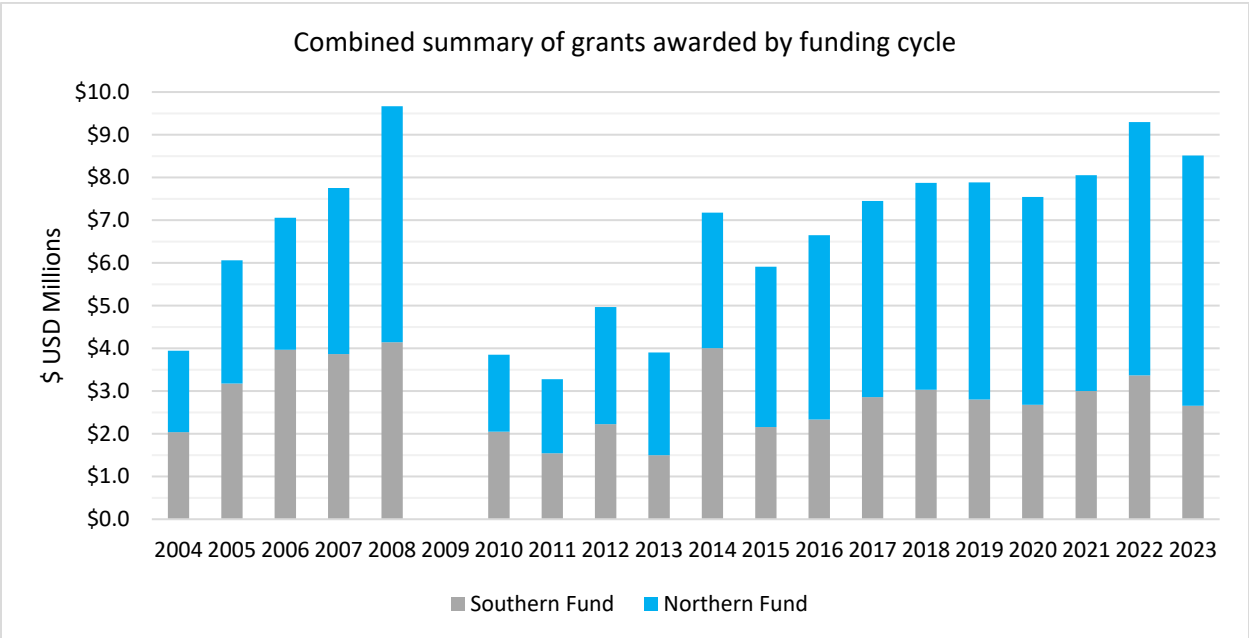


In 2023 the Northern Fund supported 42 projects. Grants awarded totaled U.S. \$5.86 million. Five projects with a total value of U.S. \$406,084 were classified as Enhancement projects, 36 projects with a total value of U.S. \$5.33 million were classified as Improved Information projects, two projects with a total value of U.S. \$121,118 were classified as Habitat projects.



Between 2004 and 2023 the Northern Fund has awarded grants worth U.S. \$73.43 million to 919 projects. Over this same period the Southern Fund has granted U.S. \$53.42 million to 719 projects.

Total Fund project grants awarded to date are U.S. \$126.85 million in support of 1638 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 2023.

Spring Meeting: May 3 and 4, 2023

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

- Receipt and review of Q4 (2022) and Q1 (2023) investment performance reports and 2023 portfolio model memorandum from the Committee's investment consultants, George & Bell Consulting.
- Review of renegotiated fees of investment manager Morgan Stanley.
- Clarification of project reporting requirements for PSC contribution agreements.
- A full day communications strategy workshop facilitated by the successful respondent of the Committees' Request for Quotations, CTRS Market Intelligence, to facilitate the development of a proposed communications strategy.
- 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 2023/24.
- An update from the Joint Fund Committee Finance Sub Committee and further review of a proposal provided by the PSC Secretariat which sought to restructure the way annual PSC Secretariat administrative service costs are determined and reimbursed.
- A review of the workplan for the PSC Fund Manager, and review of the staff support provided to the Fund Committees by the Secretariat in the prior year.

Fall Meeting: November 15 and 16, 2023

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, PH&N Institutional Global Equity Fund memorandum, and ACM Ownership Change memorandum from George & Bell Consulting.
- Review of the Committee's Statement of Investment Policies and Procedures.
- Presentations / interviews with three of the Committees' current investment managers: PH&N Institutional, Invesco, and Morgan Stanley.
- Review of the results of the FY 2022/23 audit of the Endowment Funds, which did not identify any issues, and associated financial statements, which had been recommended for approval at the Finance Sub Committee meeting in October.
- Review and discussion of the purpose and process of attempting to recover U.S. withholding taxes paid on investments held by Morgan Stanley and PH&N Institutional for the years 2020-2022.

- An update from the Finance Sub Committee on its proposed Terms of Reference, and decision on the PSC Secretariat proposal to restructure the annual PSC Secretariat administrative service costs.
- Items of mutual interest for both Northern Fund Committee and Southern Fund Committee for consideration in the 2024 funding cycle.
- A half day workshop with CTRS Market Intelligence to review the Committees' Communications Strategy, and considerations for implementation and next steps.

Joint Fund Committee Finance Sub Committee Meeting

The Finance Sub Committee exists as a venue to have more detailed discussion on annual financial statements and create administrative efficiencies in the Joint Fund Committee process. The Finance Sub Committee met twice in 2023.

March 29, 2023

This meeting was held virtually. The meeting agenda included:

- Morgan Stanley invoicing error and procedures implemented to avoid future discrepancies.
- Review of recommended modifications to the Morgan Stanley Fee schedule.
- Review of current year administration expenses.
- Further review of the PSC Secretariat proposal to restructure the way the PSC Secretariat recovers operating costs from the endowment funds.
- Selection of facilitator and strategist for the Joint Fund Committee Communications Strategy project.

October 25, 2023

This meeting was held virtually. The meeting agenda included:

- Receipt of the results of the FY 2022/23 audit of the Endowment Funds, which did not identify any issues, and the recommended approval of the associated financial statements.
- Process and fee options to recover U.S. withholding taxes paid on investments held by Morgan Stanley and PH&N Institutional for the years 2020-2022.
- Review of draft Terms of Reference for the Finance Sub Committee.
- Review of the recommendations from the PSC Finance & Administration Committee on the PSC Secretariat proposal to restructure the way the PSC Secretariat recovers operating costs from the endowment funds.

Northern Fund Committee Meetings

The Northern Fund Committee met on four occasions in 2023.

1. February 20 and 21 (hybrid meeting): The Committee met to make final decisions about the projects selected to receive funding in 2023. The Committee also discussed / reviewed the compliance of projects and their reporting requirements along with projects where proponents had self-identified reporting deadlines and implemented changes for 2023 contracts; updates on the communications strategy project; and plans for a field trip in 2023.
2. May 5 (hybrid meeting): The Committee met to confirm the scope, priorities, and timetable for the 2024 Northern Fund Call for Proposals. The Committee also reviewed project proponent reporting requirements; received an update on project change requests; and discussed plans for a field trip to the Skeena and Nass River watersheds in the summer.
3. July 24-27 (in-person): Four members of the Committee (including two Commissioners), two committee advisors, one additional Commissioner, Fund staff and the PSC Executive Secretary, undertook a field trip to tour project sites in the Skeena and Nass River watersheds in Northern British Columbia.
4. October 3 and 4 (hybrid meeting): The Committee met to make decisions about the selection of project concepts to advance to the detailed proposal stage. The Committee agreed on changes to their spending policy, with the annual amount of funding available for the coming year determined at the concept review meeting. The Committee also reviewed the detailed proposal application form; reviewed actual (vs. budgeted) expenditures on Northern Fund projects; received an update on the draft of the Joint Fund Communications Strategy; and a review of the July field trip.

Southern Fund Committee Meetings

The Southern Fund Committee met three times in 2023.

1. February 23 (virtual meeting): The Committee met to make final decisions about the projects to support in 2023. The Committee also discussed clarification of holdback payment to project proponents and updates on the communications strategy project.
2. May 2 (in-person): The Committee met to agree on the scope, priorities, and timetable for the 2024 Southern Fund Call for Proposals. The Committee also formally adopted changes to and procedures for reviewing proposals and eligibility of proponents with overdue reporting. The Committee also received an update on project change requests and discussed possible changes to the stage two detailed proposal form.
3. October 17 (hybrid meeting): The Committee met to make decisions about the project concepts to advance to the detailed proposal stage. The Committee reviewed and implemented changes to the stage two application form and updated the guidelines for applicants. The Committee also received an update on the draft of the Joint Fund Communications Strategy; and were updated by Southern Fund Finance Sub Committee members on Finance Sub Committee activities.

Committee Appointments

Dr. Jamal Moss was appointed to the US Section of the Northern Fund Committee on September 7, 2023, as a permanent replacement for Mr. Doug Mecum. Mr. Andrew Gray had been serving as the interim US Government representative until this time.

2023 Call for Proposals for projects in 2024/25

Both Fund Committees issued a Call for Proposals in May 2023 for projects starting in 2024.

The Southern Fund Committee focused its 2024 Call for Proposals on habitat restoration projects and specific priorities identified by the Pacific Salmon Commission's Fraser River and Southern Panels, Chinook Technical Committee, and Okanagan Work Group. In response, the Committee received 55 proposals requesting approximately U.S. \$5.2 million. During the first-round review meeting the Committee selected 50 of these proposals to move to the second stage. The final decisions on 2024 funding will be made in February 2024.

The Northern Fund Committee focused its 2024 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 and the Northern Panel Strategic Salmon Plan. The Committee received a total of 65 concept stage proposals requesting approximately U.S. \$8.4 million. 53 proposals were selected to move to the second-round detailed proposal stage. Bilateral technical reviews of the detailed proposals took place in January 2024 and final funding decisions will be made in February 2024.

Staffing Changes

There were no changes to PSC Secretariat employees responsible for administering the endowment funds in 2023.