



PACIFIC SALMON COMMISSION

ESTABLISHED BY TREATY BETWEEN CANADA
AND THE UNITED STATES OF AMERICA
MARCH 18, 1985

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Annual Report of the Southern Boundary Restoration and Enhancement Fund and the Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund for the year 2024.

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 USD and \$65 million USD respectively. Canada also contributed \$500,000 CAD. 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

Southern Fund Committee

Canada:

Mr. Neil Davis
Dr. Don Hall
Mr. Mike Griswold

United States:

Mr. James Scott
Dr. Peter Dygert
Mr. Joe Oatman

Executive Summary and Market Environment Summary

- The market value of the fund on December 31, 2024, was approximately \$265,694,000 USD or \$382,121,000 CAD.
- In the beginning of 2024, interest rates in Canada remained elevated at 5% as the Bank of Canada was focused on controlling inflation. By June 2024, there were signs that inflation was at the target level, but the Canadian economy was relatively weak. Therefore, the Bank of Canada started cutting rates in an attempt to encourage economic growth; this resulted in five interest rate cuts occurring to reduce interest rates to 3.25% by the end of 2024. By contrast, the US economy remained surprisingly resilient. Rising unemployment rates in the second half of the year caused the US Federal Reserve to start cutting rates in September 2024, with three interest rate cuts by the end of 2024. Overall, changing expectations from market participants on interest rate movements and the US presidential election resulted in market volatility throughout the year in both stock and bond markets.
- In 2024 the Southern Fund supported 43 projects. Grants awarded totaled \$3.66 million USD. The Northern Fund supported 40 projects and grants awarded totaled \$5.36 million USD.
- Since 2004, the Northern and Southern Fund Committees have approved grants of \$135.87 million USD to a total of 1721 projects. In addition, the Funds contributed \$10 million USD to the Sentinel Stocks Program.
- In 2024 the Northern and Southern Fund Committee members met together as a Joint Fund Committee on two occasions (May 8 and 9, and November 13). The Joint Fund Committee Finance Sub Committee, comprised of members from the Northern and Southern Fund Committees, met on one occasion (April 23). The Northern Fund Committee met on three occasions, the Southern Fund Committee met on four occasions, including a two-day tour of a project site, hiłsyaqłis (Tranquil Creek), on the West Coast of Vancouver Island, British Columbia. Meetings were held in hybrid formats.
- In 2024, a Communications Implementation Plan was developed for the Joint Fund Committee. The Committees and Pacific Salmon Commission (PSC) Secretariat staff continued to undertake tasks associated with streamlining and improving the administration of grants.
- Mr. James (Jim) Scott was appointed to the U.S. Section of the Southern Fund Committee on May 1, 2024, replacing Mr. Larry Peck who retired in February 2024.

Investment Review

Over the year, current available data shows the investment portfolio had net returns of approximately 15.0% in CAD (5.7% in USD). A weakening Canadian dollar meant the returns in USD were not as positive as those in CAD. Current data indicates that the portfolio exceeded its inflation plus 3.5% target in Canadian dollar terms but fell shy of it in US dollar terms. Canadian dollar depreciation relative to the US dollar was 8.1% over 2024.

Public equity markets had another year of strong performance in absolute terms in 2024, while fixed income markets had positive returns in Canadian dollar terms but negative returns in US dollars. Infrastructure investments remained stable and positive in CAD in 2024, although some investments experienced slight declines in USD. After a challenging 2023, US real estate markets continued to struggle in 2024 with properties generally going down in value again this year.

Building on its strong performance in 2023, the global stock market continued to perform well in 2024, with the MSCI World (Net) Index delivering a return of 29.4% (in CAD) for the year. The theme of equity markets being dominated by large U.S. technology firms has continued and made it a difficult environment for active fund managers. Both the portfolio's active global equity managers, Morgan Stanley and PH&N, failed to keep pace and underperformed their benchmarks 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 market return was around 35% for 2024 in Canadian dollar terms.

Fixed income performed well in response to rate cuts. Tighter credit spreads suggest investors expect a lower probability of recession than previously, with further decreases in interest rates priced into yields. In 2024 and in CAD, the FTSE Canada Short Term Bond Index returned 5.7%, the FTSE Canada Universe Bond Index returned 4.2%. Both the PH&N Core Plus Bond and ACM mandates added value compared to their benchmarks during the year.

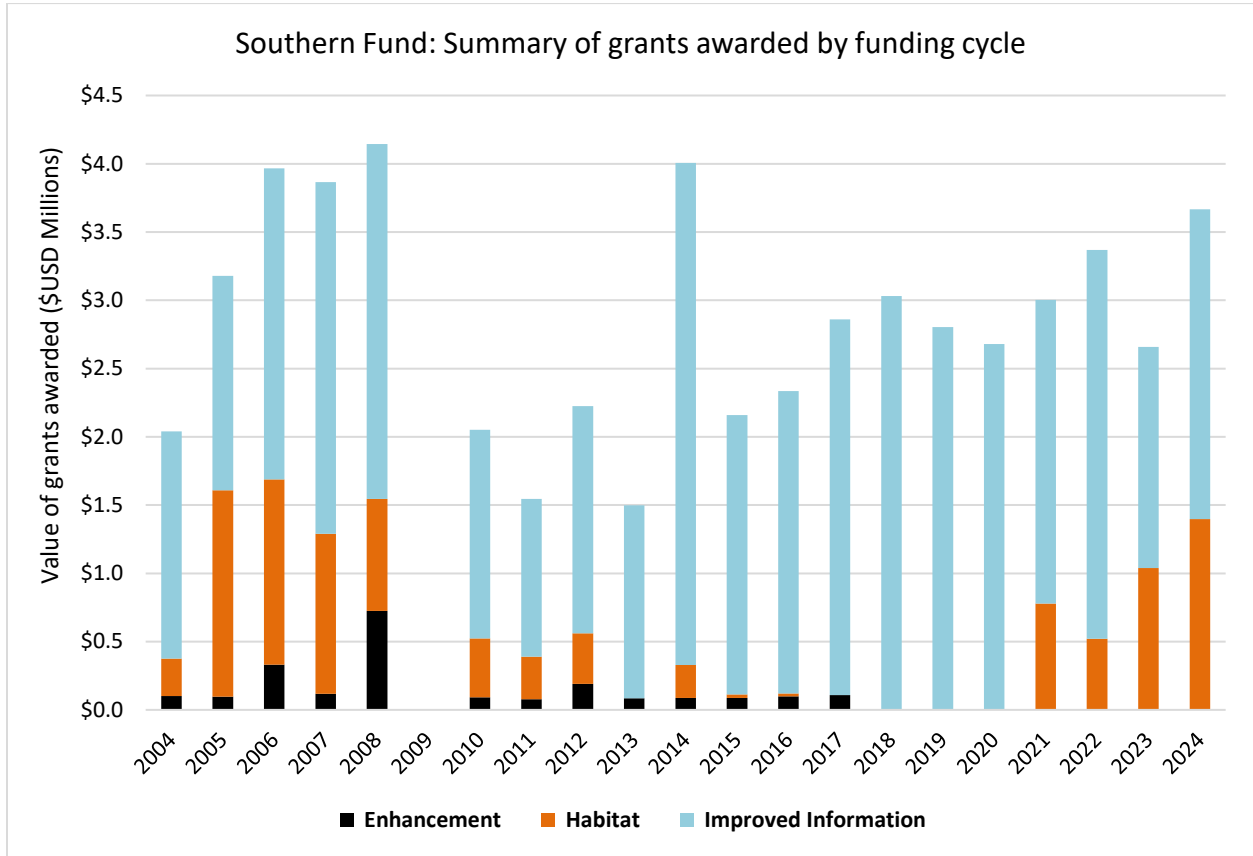
The portfolio's alternative investments provided mixed results in the year of 2024. For the infrastructure managers, IFM returned 7.9% in CAD in 2024, and Axiom is also expected to report positive performance during that time period. The U.S. Real Estate manager, Invesco, showed negative absolute performance in USD in 2024 as the commercial real estate market continued to struggle during the year.

Contributed capital and asset value of the individual funds as of December 31st, 2024, stood as follows:

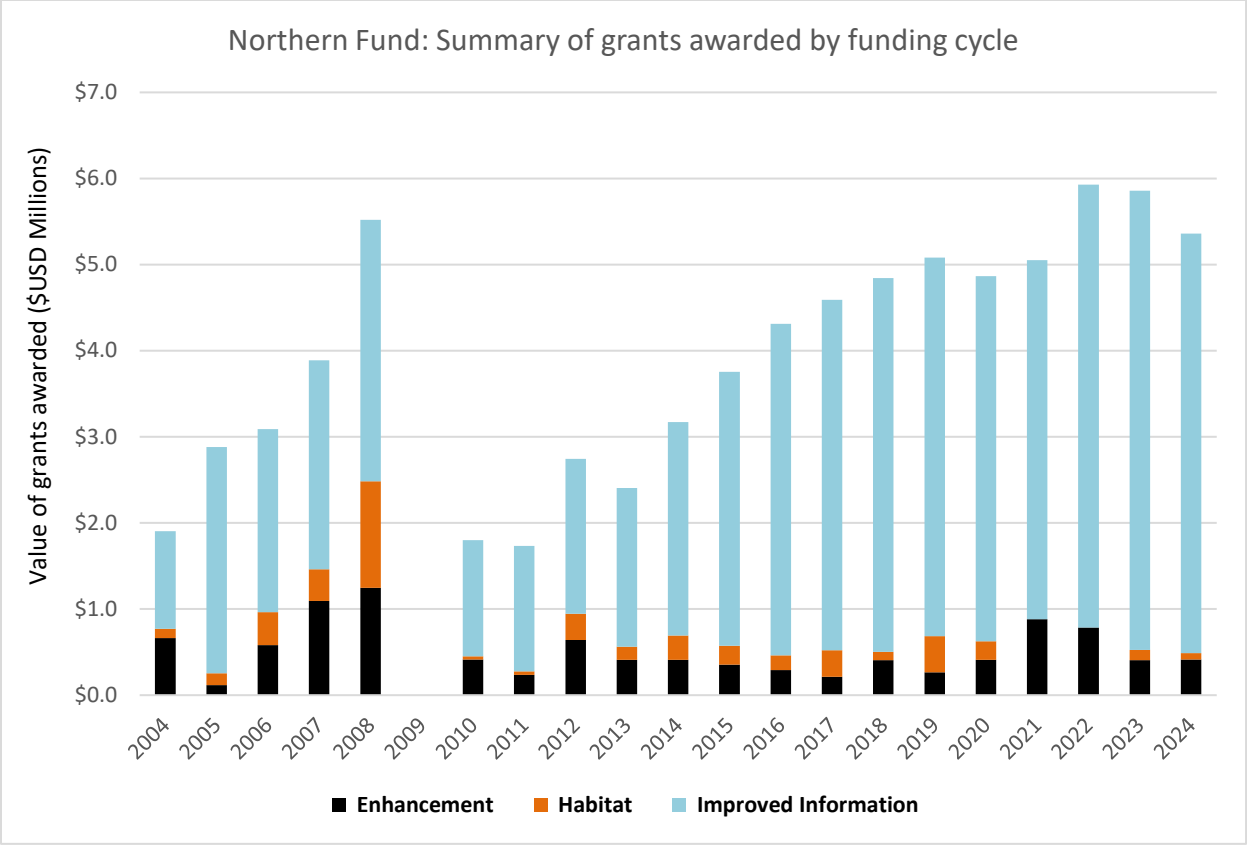
Contributed Capital		Asset Value	
Northern: \$75,000,000 USD	\$112,388,000 CAD	\$139,975,000 USD	\$201,312,000 CAD
Southern: \$65,000,000 USD	\$97,408,000 CAD	\$125,719,000 USD	\$180,809,000 CAD

2024 Project Funding

In 2024 the Southern Fund supported 43 projects. Grants awarded totaled \$3.66 million USD. Projects addressing specific priorities identified by the PSC's Fraser River Panel, Southern Panel, and Chinook Technical Committee accounted for \$1.89 million USD of grants awarded (52%).

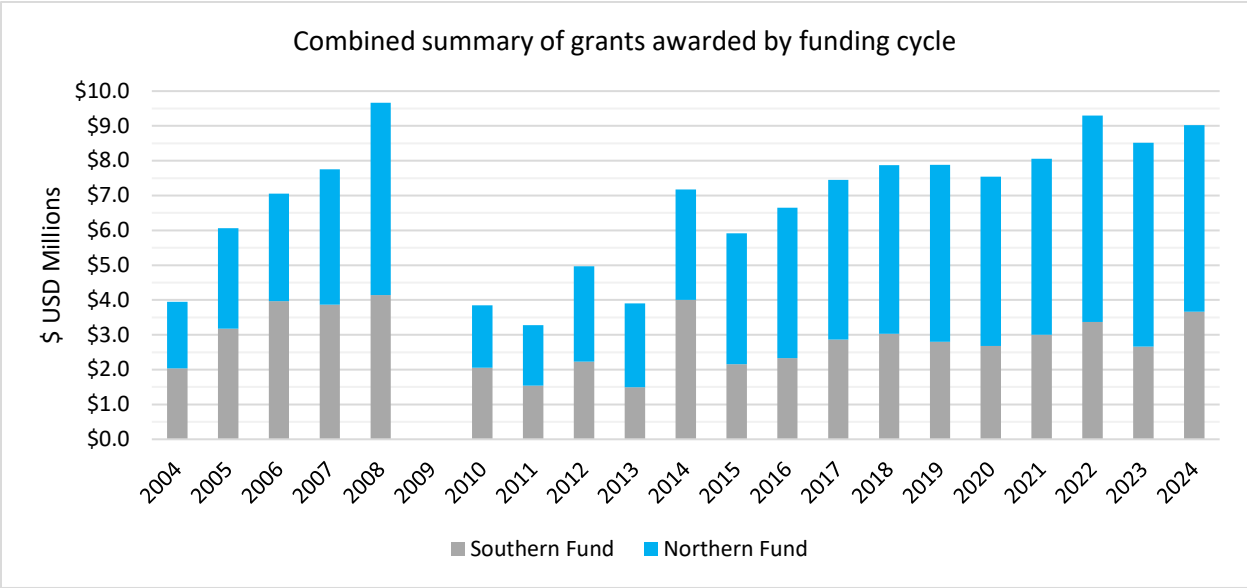


In 2024 the Northern Fund supported 40 projects. Grants awarded totaled \$5.36 million USD. Four projects with a total value of \$412,559 USD were classified as Enhancement projects, 35 projects with a total value of \$4.87 million USD were classified as Improved Information projects, one project with value of \$74,538 USD was classified as a Habitat project.



Between 2004 and 2024 the Northern Fund has awarded grants worth \$78.79 million USD to 959 projects. Over this same period the Southern Fund has granted \$57.08 million USD to 762 projects.

Total Fund project grants awarded to date are \$135.87 million USD in support of 1,721 projects. Included in this total is \$5 million USD 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 \$10 million USD.



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 a Joint Fund Committee twice in 2024.

Spring Meeting: May 8 and 9, 2024

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

- Receipt and review of Q4 (2023) and Q1 (2024) investment performance reports and a comparison of global equities held by the Fund and associated investment manager fees from the Committee's investment consultants, George & Bell Consulting.
- An overview of the process taken for, and status of, recovering withholding tax paid on income received on investments with Morgan Stanley and PH&N Institutional for the years 2020-2022.
- Review of the updates to the PSC website.
- Presentation of the Communications Implementation Plan and update on communications activities for the prior year.
- Review of the costs of fund administration in the previous financial year, and review and approval of the budget for fund administration in FY 2024/25 under the new administration fee model.
- An update from the Joint Fund Committee Finance Sub Committee and discussion of future taskings of the Finance Sub Committee.
- A review of the workplan for the Grant Program Manager, and review of the Secretariat staff support provided in the prior year.

Fall Meeting: November 13, 2024

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

- The receipt and review of Q2 and Q3 investment performance reports, and comparison of similar funds in terms of asset mix and returns, from George & Bell Consulting.
- Review of the Statement of Investment Policies and Procedures.
- Presentations / interviews with three of the Committees' current investment managers: Axiom, IFM, and ACM.
- Review of the results of the FY 2023/2024 audit of the Funds and associated financial statements.
- Review of project amounts granted in comparison to discretionary administration fees for the period 2015-2024.
- An update on administration expenses for the current fiscal year and presentation of the budget for salaries and benefits for 2025/26 fiscal.
- Further discussion of outcomes from the Communications Implementation Plan, including a presentation on Grant Management Systems and next steps for implementation; and discussion and presentation of signage options for select project sites.

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 once in 2024.

April 23, 2024

This meeting was held virtually. The agenda included:

- Review of current year administration expenses.
- Review of the budget for the fiscal year 2024/25 under the new administration fee model.

Northern Fund Committee Meetings

The Northern Fund Committee met on three occasions in 2024.

1. February 20 and 21 (hybrid meeting): The Committee met to make final decisions about the projects to support in 2024. The Committee also formally adopted adjustments to their spending policy; discussed the project presentation at the January 2024 PSC Meeting; considered a field trip for 2024; and reviewed items to incorporate in the Communications Implementation Plan.
2. May 10 (hybrid meeting): The Committee met to confirm the scope, priorities, and deadline for the 2025 Northern Fund Call for Proposals. The Committee also received updates on project reporting and project change requests.
3. October 2 and 3 (hybrid meeting): The Committee met to make decisions about the selection of project concepts to advance to the detailed proposal stage. The Committee also reviewed the detailed proposal application form; reviewed actual (vs. budgeted) expenditures on Northern Fund projects; discussed a standardized reporting approach; and inviting select project proponents to present at PSC post and pre-season meetings.

Southern Fund Committee Meetings

The Southern Fund Committee met four times in 2024.

1. February 27 (hybrid meeting): The Committee met to make final decisions about the projects to support in 2024. The Committee also discussed PSC contribution agreements; and reviewed items to incorporate in the Communications Implementation Plan.
2. May 6 (virtual meeting): The Committee met to agree on the scope, priorities, and deadline for the 2025 Southern Fund Call for Proposals. The Committee also discussed possible changes to their spending policy and how the funds are managed in proportion to their original allocation. The Committee also received an update on overdue project reports, project change requests, and discussed potential field trips for 2024.
3. September 27 (hybrid meeting): The Committee met to make decisions about the project concepts to advance to the detailed proposal stage. The Committee reviewed the stage two application form and discussed late applications and proposal submission procedures. The

Committee also received presentations on fund unitization and allocation; and actual (vs. budgeted) expenditures of Southern Fund projects for 2014-2023.

4. October 16-17 (in-person): Three members of the Committee and Grant Program staff undertook a field trip to tour a project site in the hiłsyaq̓lis watershed (Tranquil Creek), on the West Coast of Vancouver Island, British Columbia.

Committee Appointments

Mr. James (Jim) Scott was appointed to the U.S. Section of the Southern Fund Committee in May 2024, replacing Mr. Larry Peck as the U.S. Co-Chair.

Call for Proposals for projects in 2025/26

Both Fund Committees issued a Call for Proposals in May 2024 for projects starting in 2025.

The Southern Fund Committee focused its 2025 Call for Proposals on habitat restoration projects and specific priorities identified by the PSC's Fraser River and Southern Panels, Chinook Technical Committee, and Okanagan Work Group. In response, the Committee received 96 proposals requesting approximately \$10.6 million USD. During the first-round review meeting the Committee selected 62 of these proposals to move to the second stage. The final decisions on 2025 funding will be made in February 2025.

The Northern Fund Committee focused its 2025 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 70 concept stage proposals requesting approximately \$8.2 million USD. 49 proposals were selected to move to the second-round detailed proposal stage. Bilateral technical reviews of the detailed proposals took place in January 2025 and final funding decisions will be made in February 2025.