Corporate Profile

The New Brunswick Investment Management Corporation (NBIMC) is the trustee and investment manager for the pension assets of 44,796 plan members, (including 28,378 active and 16,418 retired) of the Public Service, Teachers' and Judges' pension plans.

The primary mission of the Corporation is to increase the long-term value of the pension funds it manages to assist the plan sponsors in meeting the pension promise to its members.

Located in Fredericton, New Brunswick, it is the second largest investment manager in Eastern Canada with assets totaling $5.3 Billion under management at March 31, 2003.

The Province of New Brunswick created NBIMC as an arms length Crown Corporation in 1996. It reports to the Legislative Assembly of New Brunswick through the Minister of Finance.

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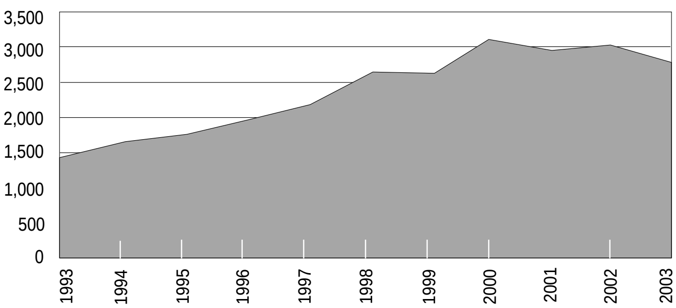
Information on the Unit Trust Funds and Detailed Holdings is available upon request in a supplement to the Annual Report.

Financial Highlights - as of March 31, 2003

PUBLIC SERVICE

NET ASSETS - as of March 31, 2003
($ millions)



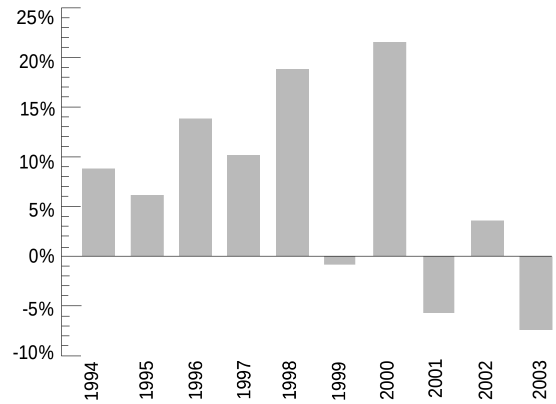
INVESTMENTS BY PORTFOLIO - as of March 31, 2003
($ millions)

	2003	2002	2001
PUBLICLY TRADED EQUITY			
Canadian	$ 845.1	$ 920.3	$ 938.2
International	529.3	587.3	643.2
TOTAL PUBLICLY TRADED EQUITY	1,374.4	1,507.6	1,581.4
PRIVATE EQUITY	26.0	22.5	6.3
US Real Estate	54.6	62.9	64.9
Nominal Bonds	847.0	915.3	894.8
Inflation Linked Securities	319.1	349.7	321.3
Short Term Assets	104.4	147.7	93.7
Other	28.0	2.6	(2.3)
TOTAL INVESTMENT	$ 2,753.5	$ 3,008.3	$ 2,960.1

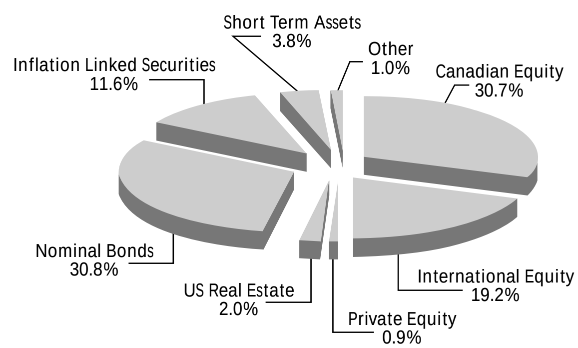
INVESTMENT PERFORMANCE - as of March 31, 2003 (Annualized)

	1 yr.	4 yr.	10 yr.
Return	-7.32%	2.38%	6.50%
Benchmark	-7.54%	2.50%	6.64%
Real return, after inflation	-10.00%	-0.16%	4.60%

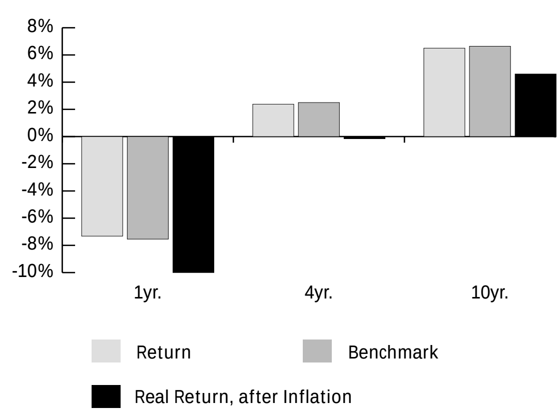
ANNUAL TOTAL FUND RETURNS - 1994-2003



ASSET MIX - as of March 31, 2003
($ millions)



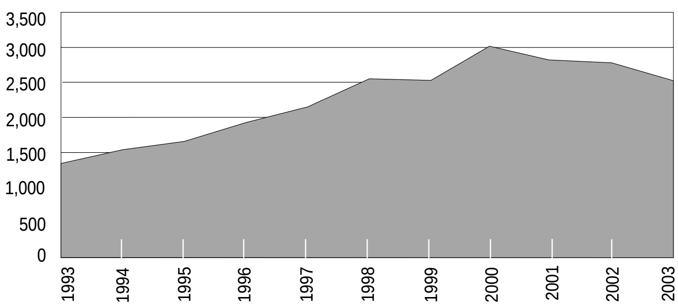
INVESTMENT PERFORMANCE
as of March 31, 2003



Financial Highlights - as of March 31, 2003

TEACHERS'

NET ASSETS - as of March 31, 2003
($ millions)



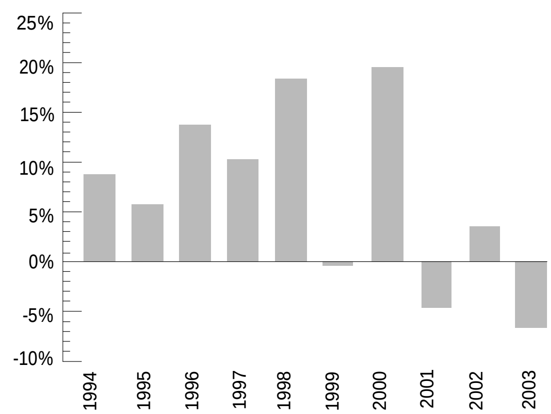
INVESTMENTS BY PORTFOLIO - as of March 31, 2003
($ millions)

	2003	2002	2001
PUBLICLY TRADED EQUITY			
Canadian	$ 744.3	$ 826.4	$ 863.8
International	458.5	517.5	583.8
TOTAL PUBLICLY TRADED EQUITY	1,202.7	1,343.9	1,447.6
PRIVATE EQUITY	23.7	20.9	6.0
US Real Estate	49.7	58.4	61.7
Nominal Bonds	796.3	877.6	878.9
Inflation Linked Securities	315.9	352.6	333.4
Short Term Assets	94.4	136.1	88.0
Other	24.0	2.4	(2.2)
TOTAL INVESTMENT	$ 2,506.7	$ 2,791.8	$ 2,813.3

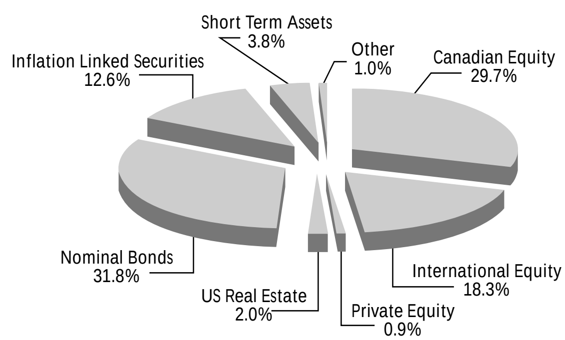
INVESTMENT PERFORMANCE - as of March 31, 2003
(Annualized)

	1 yr.	4 yr.	10 yr.
Return	-6.53%	2.46%	6.51%
Benchmark	-6.78%	2.57%	6.69%
Real return, after inflation	-9.23%	-0.08%	4.61%

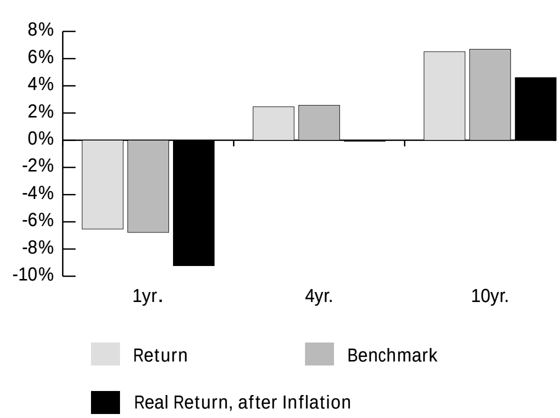
ANNUAL TOTAL FUND RETURNS - 1994-2003



ASSET MIX - as of March 31, 2003
($ millions)



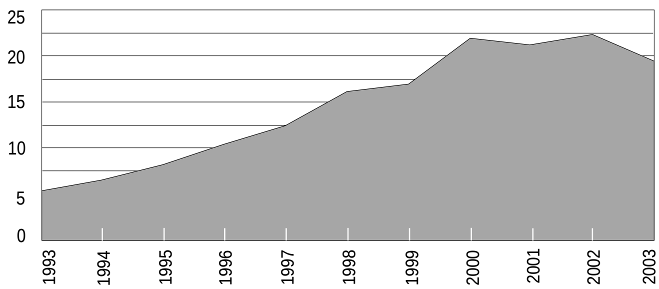
INVESTMENT PERFORMANCE
as of March 31, 2003



Financial Highlights - as of March 31, 2003

JUDGES'

NET ASSETS - as of March 31, 2003
($ millions)



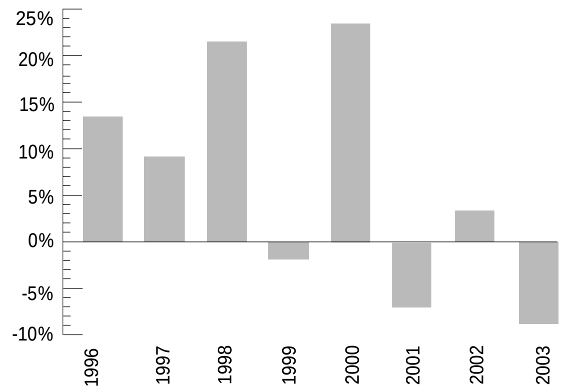
INVESTMENTS BY PORTFOLIO - as of March 31, 2003
($ millions)

	2003	2002	2001
PUBLICLY TRADED EQUITY			
Canadian	$ 6.5	$ 7.5	$ 7.4
International	4.1	4.8	5.0
TOTAL PUBLICLY TRADED EQUITY	10.6	12.3	12.4
PRIVATE EQUITY	0.2	0.2	0.0
US Real Estate	0.4	0.5	0.4
Nominal Bonds	4.9	5.6	5.3
Inflation Linked Securities	2.3	2.7	2.4
Short Term Assets	0.7	1.1	0.7
Other	0.2	-	-
TOTAL INVESTMENT	$ 19.4	$ 22.3	$ 21.2

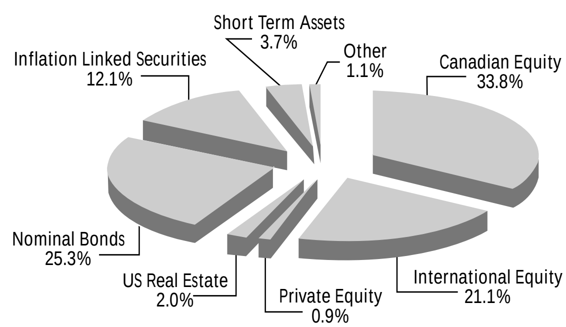
INVESTMENT PERFORMANCE - as of March 31, 2003
(Annualized)

	1 yr.	4 yr.	9 yr.
Return	-8.93%	1.91%	6.02%
Benchmark	-9.11%	2.03%	7.42%
Real return, after inflation	-11.56%	-0.61%	4.09%

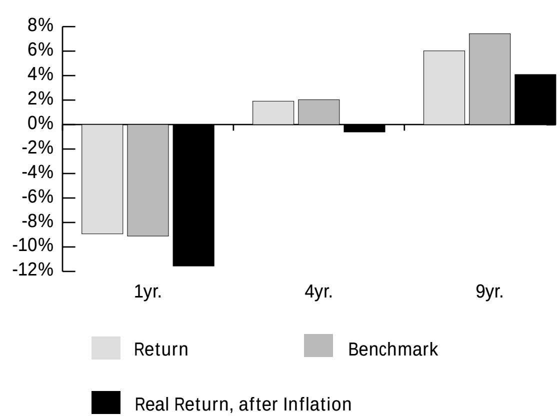
ANNUAL TOTAL FUND RETURNS - 1996-2003



ASSET MIX - as of March 31, 2003
($ millions)

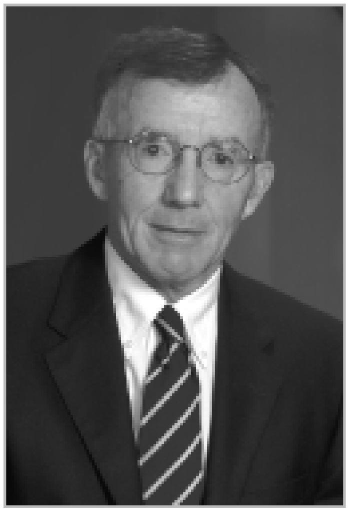


INVESTMENT PERFORMANCE
as of March 31, 2003



Data is only available for 9 years

Chairman's Message



G. W. McMullen
Chairman

"Ongoing review and self-evaluation are essential to any corporate body; a board governance committee will soon be established."

The past year marks the third in a series of challenging years for the capital markets. Equity markets in Canada and abroad have experienced significant declines, presenting challenges to all fund managers; however, with challenge comes opportunity. The board recognizes the need to take a long-term view, and with qualified staff in place, NBIMC is in a position to take advantage of opportunities as they present themselves.

The board has recently completed a review of the Corporation's investment policy. This review has confirmed our opinion that diversity of holdings is an effective means of reducing return volatility. It also recognizes the value of a substantial equity position, as historically, equities provide superior returns compared to bonds.

Corporate Governance

The legislation that brought NBIMC into existence also establishes many of the governance parameters under which the Corporation operates. However, as ongoing review and self-evaluation are essential to any corporate body, a board governance committee will soon be established. The first task of this committee will be to conduct a review of board governance and to make recommendations back to the board later this year.

The board and its two committees, Human Resources and Audit, have had a busy year. Throughout the year, the board had ten meetings while Audit and Human Resources each met four times.

In September of the fiscal year ending March 31 2003, I was appointed Chairman of the NBIMC board. I am grateful to all staff and fellow Corporation board members for their patience and effort in making this mid-year transition as smooth as possible. Their dedication to the goals of the Corporation is apparent and contributes greatly to the success of NBIMC, positioning it for a solid future.

G. W. McMullen
Chairman

BOARD OF DIRECTORS

Seated, Left to right: **Ronald J. LeBlanc, William W. Tozer, G. W. McMullen, Eileen Pike, Rowland Frazee**

Standing, Left to right: **Gilles Lepage, Sharon MacFarlane, Dawson Murray, John Mallory, Wiktor Askanas, Ernest MacKinnon, Richard Speight**

President's Report

Ernest L. MacKinnon
President and
Chief Executive Officer

"Employees have proudly embraced a commitment to be a leading investment manager built on a foundation of teamwork, innovation and ethical behaviors, working in the service of our clients."

As the two and one half year decline in equity markets continued unabated, the 2002-2003 business year of the Corporation saw the capital of funds under management also decline by a significant amount. Fortunately, the Corporation's diversified asset base and close attention to risk management served to counterbalance the impact of these equity market declines as fixed income assets contributed solid returns.

The past year marked an important turning point for the Corporation, positioning the organization for long-term success. It is our belief that a "knowledge based" organization such as NBIMC must be flexible, innovative, willing risk takers and continuously learning if it is to meet its challenges with success. Earlier this year, we undertook a process of change which we believe will carry the organization to a new and higher level of performance.

Having grown from an initial base of 13 employees to 32 employees presently the Corporation has reached a mature stage. The entire organization has gone through a steep learning period as we assembled our team, developed our investment program, put in place our risk management tools and processes, built our portfolio accounting and compliance capability, and overlaid the operation with a reliable information technology architecture. We have also taken careful steps to ensure the Corporation subscribes to and practices very high ethical behaviors. Employees have proudly embraced a commitment to be a leading investment manager built on a foundation of teamwork, innovation and ethical behaviors, working in the service of our clients.

However, we believe a knowledge-based organization like NBIMC must continue to learn, innovate and evolve to reach the next level of success. With this goal in mind, the organization launched a process of change designed to create a stronger leadership team, embrace a common vision, and empower and challenge every employee to maximize their contribution to the achievement of NBIMC's goals.

A new three year Business Plan has been developed for NBIMC and will commence with the 2003-04 business year. This plan focuses on the successful achievement of both nominal and relative return goals for our pension clients. We believe that the attainment of these goals, combined with additional employer contributions to amortize the deficit accumulated during the plan's early years, will make the achievement of a fully funded status in 10-12 years feasible.

A key part of the strategies to achieve the Business Plan targets is an increased diversification in the asset mix for the three client funds. In addition to the traditional equity and nominal bond assets our Board has made a significant commitment to real return bonds, private equity and real estate. Smaller commitments to infrastructure assets and to two absolute return strategies provide further return and diversification benefits.

Our business plan strategy stresses a rigorous analysis of all aspects of the investment program, ensuring consideration of investment returns, risks, and investment costs. Although even a strong businesslike approach will not produce positive nominal returns during falling markets, they can be effective in enhancing the returns that are available.

We expect the next several years to be difficult ones for investors due to the uncertain world economic and geopolitical outlook. We believe market returns will be below those of the past 20 years and have modified our plans accordingly. Despite our outlook for lower returns we believe the Corporation can produce the returns required to meet the plan threshold return requirements of 4.0 percent plus inflation.

Ample diversification and staying the course on our long-term focus gives us confidence in future investment success.

The Corporation is proud of its efforts to direct a portion of the pool of savings it manages back into the region's capital markets through its Atlantic Opportunities Private Equity Portfolio. Our investment team reviewed a significant number of prospects in the past year, and several were selected as new portfolio investments. It is an area which continues to get emphasis in our Business Plan with the goal of reaching as close to full portfolio investment status as possible over the ensuing three-year period.

In order to achieve style and risk diversification, the Corporation has moved more of its assets, including a portion of Canadian large cap equities, to outside managers. As well, the newer assets such as infrastructure and real estate are difficult to manage in-house due to their very specialized nature and are being implemented with external managers. These decisions do not change our belief that in-house management should be our predominate approach.

A number of communication activities were undertaken throughout the year. ECHO, a client newsletter, is a joint project with our partner the Public Service Employee Benefits Branch of the Office of Human Resources. This newsletter includes pension and investment highlights. ECHO can also be accessed online at our newly revised Corporate website, **www.nbimc.com**, which continues to be our most effective means of client contact. As well, meetings with pension client representatives for both the Teachers' and Public Service plans were also held during the year.

I am very proud of the progress of the Corporation to date. Our Board of Directors have been diligent and supportive in the capable way they have carried out their responsibilities. Our staff, 97% of whom are Maritimers, are proudly dedicated through their innovation and hard work to making the Corporation a unique New Brunswick success story in our industry.

Our previous Business Plan continued in effect through the past business year. As in past reports, we present an accountability report based on the Plan's goals.

Accountability Report

The past year was the fourth full year of the current Business Plan. In line with our continuing commitment to be accountable for our results, we present the following report:

KEY RESPONSIBILITY AREAS

1. ***Investment Management Services***
   - Trusteed Pension Funds
   - New Client Business
   - New Brunswick Opportunities
   - Management Expense Ratio

2. ***Learning and Growth of our People***
   - Investment Staff
   - Research, Accounting and Administrative Staff
   - Board of Directors

3. ***Information Technology***

4. ***Stakeholder Relations***

Reporting Against Objectives for Key Responsibilities

1.0 Investment Management Services

- ***TRUSTEED PENSION FUNDS***

Objective # 1

From active management the objective is to earn an annual average of 42 basis points (bps) above policy asset benchmark performance, net of Corporation costs over rolling four-year periods.

Actual Results

2002-2003	2001-2002	2000-2001	1999-2000	Annual Average
+ 9 bps	+ 6 bps	- 92 bps	- 10 bps	- 22 bps

- ***TRUSTEED PENSION FUNDS***

Objective # 2

The investment policy objective is to earn more than the minimum funding assumption of 4.0% real return over the long term (defined as ten years or more) from the policy asset mix.

Actual Results, Net of Inflation

	2002-2003	Four Year Average	Ten Year Average*
Public Service	-10.0%	-0.2%	4.6%
Teachers'	-9.2%	-0.1%	4.6%
Judges'	-11.6%	-0.6%	4.1%**

- ***TRUSTEED PENSION FUNDS***

Objective # 3

The Corporation will undertake periodic reviews of the Statements of Investment Policies, at least every three years, or any time new actuarial data becomes available.

**** Ten-year results are based on the past seven year results of NBIMC and the previous three-year results of the Department of Finance, investment managers of that time.***

*****Nine year average shown for Judges' as ten year information not available.***

Actual Results

New actuarial data became available close to year-end for the Public Service Superannuation Fund and the Board proceeded to make revisions to Investment Policies subsequent to year-end.

- ***NEW CLIENT BUSINESS***

Objective # 4

The Corporation will prepare an implementation plan, including a marketing plan, to seek investment mandates within the New Brunswick Public sector for implementation within the 2000-2001 business year.

Actual Results

The Board of the Corporation has decided to defer this activity for a further three years.

- ***NEW BRUNSWICK OPPORTUNITIES***

Objective # 5

To identify quality investment opportunities within the New Brunswick and Atlantic Canada economy to a maximum of 2% of trusteed funds over the period 1998-2002.

Actual Results (in millions)

	2002-2003	**2001-2002**	**2000-2001**	**1999-2000**
2% of Funds	$106	$116	$116	$124
Portion Invested	$56 (53%)	$54 (46%)	$52.5 (45%)	$68 (55%)

- ***MANAGEMENT EXPENSE RATIO***

Objective # 6

Utilizing the Annual PIAC (Pension Investment Association of Canada) Survey of Pension funds in Canada, the Corporation will maintain its management expense ratio at or below the average for funds of $5 billion or more in size for its trusteed pension funds and at the low end of the market for the management of external fund mandates.

Actual Results (in basis points)

	2002-2003	**2001-2002**	**2000-2001**	**1999-2000**
PIAC Benchmark	n. a.	n. a.	n. a.	n. a.
NBIMC Expense Ratio	13.5	11.3	9.2	8.1

PIAC has discontinued the survey and an alternative source has not been found. The recent growth in costs reflects the much higher costs of external specialist managers plus the decrease in size of assets due to the recent poor investment climate. We have temporarily replaced the PIAC survey by our informal survey of publicly available data from other pension funds. It verifies that NBIMC remains one of the lowest cost managers in our industry.

2.0 Learning and Growth of our People

- ***INVESTMENT STAFF***

Objective # 7

The objective for investment staff will be to achieve a 75 percent CFA (Chartered Financial Analyst) designation and to reach and maintain an average industry experience factor of 8 years.

Actual Results

Number of Employees - Investment	2002-2003	2001-2002	2000-2001	1999-2000
Proportion with CFA Designation	56%	56%	29%	44%
Number Enrolled in CFA Program	19%	19%	41%	44%
Average years of experience	7	8	7	7

- ***RESEARCH, ACCOUNTING AND ADMINISTRATIVE STAFF***

Objective # 8

All research, accounting and administrative staff will be encouraged to achieve professional designations, Canadian Securities courses or other educational programs to enhance general industry knowledge and/or specific skills. The objective is that every employee will undertake knowledge and/or skills upgrading every year.

Actual Results

	2002-2003	2001-2002	2000-2001	1999-2000
Proportion of employees undergoing continuous learning	100%	81%	87%	83%

- ***BOARD OF DIRECTORS***

Objective # 9

Develop and improve the Board's knowledge and decision-making ability on pension investment matters.

Actual Results

	2002-2003	2001-2002	2000-2001	1999-2000
Number of Board members	12	12	12	9
New Board Member Orientations	2	0	4	0
Number receiving External training courses or seminars	0	3	2	1
Internal training courses or seminars*	1	0	2	1

3.0 Information and Technology Management

Objective # 10

The Corporation will have a Systems Management Plan in place which will be designed to ensure that any shutdown of basic technology and systems will not disrupt business for more than a four-hour period, no more than once per year (from internal system failure).

Actual Results

	2002-2003	2001-2002	2000-2001	1999-2000
# of shutdowns of more than four hours duration				
• from any cause	None	None	None	None
• from internal failures	None	None	None	None

Objective # 11

Information resources will be reviewed periodically to ensure costs are controlled and excess volumes are reduced.

Actual Results

Information sources including newspapers, magazines and financial market news publications are being reviewed and redundancies deleted.

4.0 Stakeholder Relations

Objective # 12

The Corporation will develop, implement and maintain a Communication Strategy covering communication activity with all stakeholders and interested parties such as the media.

***** ***All Board members attend.***

Actual Results

A Board approved Communications Plan is in place. This plan is being utilized to guide communications activity at the Corporation.

Objective # 13

Using various channels and information tools, the Corporation will ensure appropriate information, covering corporate operations and results, flow to all stakeholders at least annually.

Actual Results

The Corporation utilizes the following approaches to stakeholder communications:

1) Annual Report available in print form and also by e-mail from ***nbimc@nbimc.com.***
2) Our website, ***http://www.nbimc.com***, contains general information, investment policies and the Annual Report. During the past year, the web site was revised and updated.
3) ECHO newsletter sent to nearly 43,000 plan members, both active and retired.
4) Periodic meetings occur with plan member representatives to present the Annual Report.
5) Periodic meetings occur with the Plan Sponsor, the Minister of Finance, and senior staff.
6) Appearances before the Legislative Committee on Crown Corporations.
7) Press releases.

E.L. MacKinnon

Ernest L. MacKinnon
President and Chief Executive Officer

Asset Management

The past fiscal year remained an extremely challenging investing climate. Global equity markets continued to deteriorate due to marginal economic growth and geopolitical concerns. A bright spot, however, was that NBIMC's conservative asset mix, relative to many of our pension fund peers, helped to mitigate the equity losses. As well, our internal investment activities continued to add value versus our benchmarks.

Economic growth in the U.S. was weak throughout the year due to low levels of corporate spending and a number of side effects from the build-up and execution of military actions in Iraq. Consumer confidence was also unstable throughout the year with a decent rebound occurring just prior to year-end. Real GDP growth, of a modest 2.1%, came almost exclusively through consumer spending. Housing market activity remained strong as interest rates stayed low, thanks to further U.S. Federal Reserve Board interest rate cuts and lower yields in the bond market. U.S. employment levels continued to struggle with the unemployment rate increasing by 20 basis points (bps) over the year to approximately 6%.

In contrast to the U.S., Canada was one of the strongest economies in the developed world. Real GDP growth of 2.6% was driven by a combination of consumer spending and the expansion of the manufacturing sector. Housing related activity was strong and unlike the U.S. Canada had strong employment growth. The Bank of Canada also began to notably tighten monetary policy through four interest rate increases, which cumulatively increased short-term interest rates by 100 bps. Stronger growth and inflationary concerns kept the Bank of Canada quite aggressive on interest rates throughout the year. At year-end Canadian short-term rates were 150 bps greater than comparable U.S. rates. Stronger Canadian growth and a higher short-term interest rate differential resulted in the Canadian Dollar appreciating rather rapidly near year-end. During the year the Canadian Dollar gained approximately five percent over its U.S. counterpart.

The European economies (EU-15) as a whole had significantly weaker growth than North American economies. Real GDP over the first nine months only increased by approximately 1%. Consumer spending was also relatively weaker, and confidence levels reached new lows in March of 2003. The United Kingdom (U.K.) was the main exception in the group with fairly strong consumer spending patterns mainly fueled by the continuation of a strong housing market. In contrast, Germany continued to struggle with its higher cost production environment and budget difficulties. The European Central Bank kept interest rates steady through most of the year due mainly to inflation concerns, however they cumulatively cut rates by 75 bps closer to year end to close at 2.50%. The relatively stronger U.K. economy prompted the Bank of England to only cut interest rates once, by 25 bps in February to close the year at 3.75%. The Japanese economy had fairly impressive growth, especially compared to their recent past, however it occurred mainly at the beginning of the year. Most of the gains came in the export markets as domestic consumer spending and retail sales remained weak. The Bank of Japan has kept interest rates essentially unchanged at 0.1% since September of 2001, as the economy has remained in a deflationary environment.

As previously mentioned, the global equity markets had an extremely difficult year. While some countries, such as Canada, had relatively stronger economic growth, the equity prices from all countries tended to move lower together in a very correlated fashion. Gains in our fixed income positions helped to offset some of the losses in equities, with our real return bond portfolio posting positive returns of close to 20%. The Corporation's policy of fully hedging our foreign currency exposure also helped to protect our assets from a fairly significant appreciation in the Canadian dollar.

A number of new initiatives were undertaken in the investment area over the year. The first was a renewed focus on investment cost control. For example, in the past the Corporation maintained it's primary exposure to European equity markets through futures contracts. After a thorough analysis NBIMC determined it was more cost efficient to use the services of an external index fund manager to gain this exposure. The size and global scope of the external index manager provides a number of trading efficiencies that result in not only more effective cost control but also better performance tracking to our benchmark.

NBIMC also adopted more of a team approach to our investment activities during the year. A well-diversified strategy of adding small amounts of consistent incremental value over a broader number of decision centers will help us meet our long-term internal performance goals with lower risk. An example of this was a change in our European public equity benchmark from an equally weighted four-country benchmark to the broader MSCI Europe benchmark. This change diversifies our exposure over a larger number of European countries and also now includes investments in a number of global companies that were previously excluded from our investment universe. Another initiative in this area will be the introduction of three external Canadian equity manager mandates early in 2003-2004.

Throughout the year we continued to pursue alternative investment strategies that will reduce our exposure to the major public equity market indices. Investments in private equity opportunities were conducted during the year from external fund manager commitments made in 2001 and 2002. We have also recently committed to an external infrastructure fund that will invest in tangible assets that should produce returns that are more closely aligned with our pension obligations.

Further to this, the Corporation also implemented an internal market-neutral investment strategy. The team that is responsible for executing this strategy uses both long and short positions on equity securities to generate absolute returns that are not a function of the direction of the underlying market indices in which these securities reside.

Our internal risk management activities continued throughout the year. In the past this activity has mainly focused on making sure that our internal investment activities remain within acceptable risk limits. NBIMC's more consistent value added results over the past two years illustrates that this focus provided the desired outcome. In the future we will continue to refine this process and work to use risk analysis in a more pro-active fashion to ensure we have enough risk in place to meet our value added targets. We have also initiated a process that measures and monitors the risk around each fund's policy asset mix and in turn their net funding position. The goal of this program will be to develop a measure that can be used pro-actively to alert management and our Board to periods of undue risk to the pension balance sheet.

As part of our diversification strategy we have discontinued actively trying to add significant value through futures trading and have reduced our volatility swap positions. While both strategies have helped to add value in the past, they did present the possibility of creating large relative effects to our returns. We also discontinued our external active European Equity Manager relationship due to both risk and return related issues. The majority of our external relationships however continued to add value in terms of meeting both performance returns and knowledge transfer objectives.

While 2002 was a very difficult year for investors, the outlook for 2003 seems no less challenging. There remains a tremendous amount of uncertainty around the short-term outlook of global equity markets, while fixed income yields are at very low historical levels. That being said, pension fund investors have made extraordinary strides in the past in such challenging investment environments, and in this context we remain committed to continually improve our investment processes and remain focused on a long-term investment strategy.

The fiscal year ended March 31, 2003 was characterized by disappointment and discouragement in the U.S. economy, where any periods of optimism were quickly neutralized by the appearance of an array of factors that pummeled the U.S. economy during the year. The Canadian economy, by contrast, continued to demonstrate strength, and grew at a pace above even the most optimistic forecast. The degree of economic divergence between the two economies resulted in a sharp widening in Canada/U.S. yield spreads during the year, as the drop in U.S. bond yields far out-paced those in Canada. In fact, the economic differences between the two countries were enough to push the U.S. Federal Reserve and the Bank of Canada in opposite directions in setting monetary policy. The U.S. Federal Reserve lowered their key overnight rate by 0.50% during the year in an attempt to help stimulate the languishing U.S. economy, whereas the Bank of Canada raised their key overnight rate by 1.00% during the year in four equal movements, in an effort to cool the economy and keep inflation pressures under control.

Despite the fact that the Canadian economy and job growth remained strong, 2-year through 30-year bonds yields nonetheless fell during the year as the poor economic news out of the U.S. overwhelmed any positive economic developments in Canada. Although the Canadian economic story remained positive for the year, there lingered an expectation by investors that eventually the Canadian economy would follow the path of least resistance and slow along with the U.S.

Unfortunately for the U.S. economy, anytime there appeared to be a ray of hope on the horizon, something would materialize to derail growth once again. During the first half of the fiscal year, some of the factors affecting the U.S. economy included poor job growth, a slide in consumer confidence, international geopolitical risk and the ever-present risk of terrorism. Another blow to the economy was the persistent weakness in the equity markets, which was made worse by the June announcement of corporate accounting fraud at WorldCom. This left investors with very little trust and confidence in corporate information and in the ethics of corporate executives, leading them to abandon equities in favor of bonds.

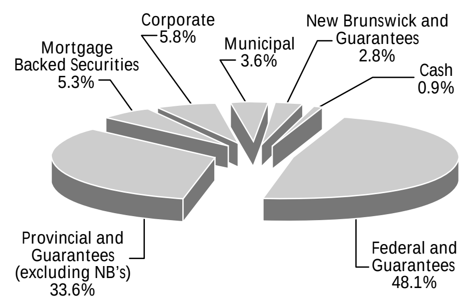
Late in the year, fear of war with Iraq resulted in a renewed decline in consumer confidence. Corporations added to the negative sentiment by holding off on any new hiring, and a reluctance to commit resources to new capital projects until there was evidence of growth in demand for their products and some resolution to the Iraq situation. This negative economic environment had many investors fearing another economic recession.

The Canadian market for provincial securities was very stable, with spreads ending the year slightly narrower than where they started. Corporate bonds, on the other hand, went through a roller coaster period. Corporate spreads widened significantly during the first half of the fiscal year as investors worried about the health of corporate earnings and balance sheets. The disappointing performance of the U.S. economy, along with high profile accounting fraud cases, fueled these fears and many investors worried that there might be more cases of accounting irregularities waiting to be uncovered. The second half of the fiscal year saw a reversal of most of the previous spread widening, and spreads actually narrowed in recognition of improved corporate balance sheets created by successful cost cutting efforts.

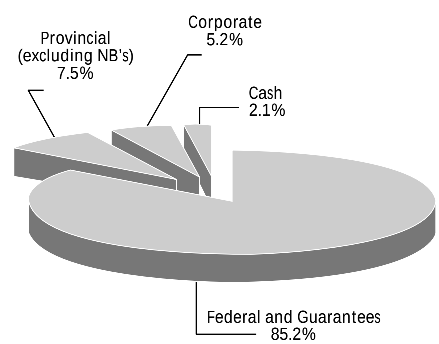
Over the year, 2-year yields dropped 0.73% in Canada and 2.22% in the U.S. with long-term yields down 0.42% in Canada and 0.98% in the U.S. These yield declines helped the Scotia Capital All Government Bond Index post a positive return of 9.41% for the year. The New Brunswick Investment Management nominal bond portfolio out-performed this benchmark by 35 basis points with a total return of 9.76%. The 35 basis points of outperformance came mostly from duration positioning, with spread product and curve exposure contributing as well.

Returns on real return bonds were extremely robust this year. Pension funds increased their exposure to this asset class as they became more widely accepted as a means to diversify out of equities and nominal bonds. This demand for real return bonds, along with the rise in Canadian inflation, propelled the Scotia Capital Markets Real Return Index to a positive return of 19.93%. The New Brunswick Investment Management Corporation's Inflation linked

NOMINAL BOND PORTFOLIO COMPOSITION AS OF MARCH 31, 2003



INFLATION LINKED PORTFOLIO COMPOSITION AS OF MARCH 31, 2003



portfolio out-performed its benchmark by 6 basis points with a positive total return of 19.99%. The value enhancement came from a narrowing in credit product that the portfolio holds.

Money market returns, as measured by the Corporation's benchmark were 2.68%. Very low short-term rates resulted in one of the lowest returns on record for this asset class. The internal portfolio returned 2.87% for value added of 19 basis points. This out-performance came equally from holding high quality credit product, paying a higher return than the bonds making up the benchmark, and also from adjusting the term of the portfolio to anticipate changes in interest rates.

Market Overview

The Canadian equity market dropped significantly in the fiscal year ended March 2003. The S&P/TSX Composite declined 17.1% for the period bringing the three-year return for the broad based index to a negative annual compound return of 11.1%. At the end of the year, the index was approximately 44% off its all-time high set in September of 2000. Returns were negative for the one, two and three year periods across all market segments as evidenced by the data presented below. However, Canadian small cap stocks did do relatively better than domestic large and midcap issues over longer periods.

Annualized Performance for periods ending March 31, 2003
(compound, Total return in %)

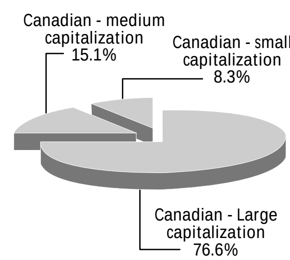
	1 year	*2 year*	*3 year*
S&P/TSX Composite	-17.06	-7.04	-11.07
S&P/TSX 60	-17.39	-7.90	-12.52
S&P/TSX Cdn MidCap	-19.50	-6.70	-9.84
S&P/TSX Cdn SmallCap	-17.70	-2.11	-2.14

Source: TD Newcrest

The key theme for the year which weighed on investors' minds and contributed to increased volatility in global equity markets was the escalation of tensions in the Middle East, culminating with a full-fledged, but short-lived war with Iraq. In the buildup to the conflict, oil prices surged to $40 US per barrel, a move similar in magnitude as in 1991 with the launch of the last U.S./Iraq war. The price of gold continued its recent bullish trend peaking at over $380 US as the U.S. dollar began to decline in value. Other factors that contributed to the positive gold performance included declining mine production, capped sales of gold reserves by central banks and a decrease in hedging programs by producers.

Corporate credit quality continued to be a major concern for debt and equity investors alike with a disproportionate number of the troubled issuers coming from the telecom, utility, and airline sectors. Canadian banks were not immune to the effects of bankruptcies, and consequently, large loan losses appeared in their reported results. Nonetheless, the financials were one of the top performing groups on the TSX Composite for the year as merger speculation and a high dividend yield relative to the market bolstered the sub index to its highest relative weighting on record.

ACTIVE EQUITY PORTFOLIO COMPOSITION AS OF MARCH 31, 2003



The 3-year old bear market has brought to the fore new concerns over the levels of funding for corporate pension plans and has highlighted an important factor when considering the purchase of shares in a company. A recent *Report on Business*[1] study of 104 companies in the composite index with defined benefit plans indicated that only 23 companies were in a funding surplus in their most recent fiscal year. The huge pension shortfall, created mainly through poor performance of the markets, could translate into higher pension expenses and a dampening of future corporate profit growth and business reinvestment. The current state of the equity markets, combined with a tempered outlook for equity returns, has caused corporate treasurers to rethink the assumptions that underpin the estimated pension funding positions as many move to a more conservative stance.

For the year, the total active equity portfolio returned a negative 17.2%, while the combined Canadian equity benchmark was down 17.6%. This represents an out-performance of 37 basis points, albeit in a down year for the equity market as a whole. The combined large and midcap portfolios outperformed their respective benchmarks for the year while the small cap portion managed by Louisbourg Investments strongly out-performed its benchmark.

[1] Church, E and Kennedy, P., "Pension Shortfalls Set to Explode." The Globe and Mail. 12 May 2003 http://www.globeandmail.com

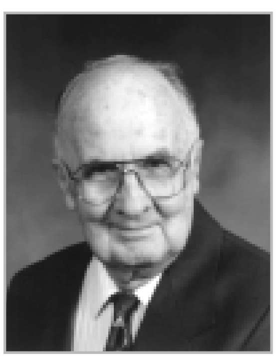
Maria Boutillier

Eighteen months ago, I retired after 40 working years. The last 20 years were with NB Power Corporation in the Change Control and Design Department at Point Lepreau Generating Station. I joined as a draftsperson, became part of CAD (Computer Aided Design) area where I liaised with outside agencies, station engineers and management. It is a safety oriented, production driven, and challenging atmosphere.

In my personal life, time and money were always great concerns. Never enough; always rushing to do what must be done so that I might do other things. A priority I achieved was to retire early.

Now, I have the time and opportunity (health & a little money) to indulge myself with: visits to family (all out of province); re-establishing some old friendships and activities; taking on new interests and making new friends and acquaintances; smell and plant the roses, and it's great!

Murray Stewart



My professional career as teacher, professor and administrator spanned the years 1934 to 1981, with many summers and several years out for university studies and research in education. I worked 19 years in the New Brunswick public school system, 18 for the New Brunswick Department of Education and 8 for the University of New Brunswick in the Faculty of Education. I served as supervising principal of several regional high school districts, principal of the New Brunswick Teachers' College and as Assistant Dean of Education at University of New Brunswick (UNB). After retirement, I was an Honorary Research Assistant in Education at UNB for eight years.

During my earlier retirement years my wife and I did quite a bit of travelling on this continent and in Europe. Lately, we stay closer to home in Fredericton, enjoying family, church and friends.

My personal hobbies include writing articles and book reviews, photography, participating in social action projects and gardening under the watchful eye of my wife Dora.

Madeline Trenouth

Like many people, I fully expected to work until the age of 60 or 65. I loved my work as Executive Director Corporate Services with the Department of Family & Community Services; I respected the people I worked with and I believed the work of Corporate Services and the Department was important. Then along came the possibility of early retirement...an opportunity too good to pass up.

I had always enjoyed the role of "internal consultant", having facilitated many meetings, workshops and various other learning events throughout my career. Now I wanted to try the role of external consultant. So, I took advantage of this opportunity, retired the month following my 55th birthday and looked forward to a second career.

I certainly have not been disappointed with retirement. I have the luxury of doing what I like best...working with individuals, work teams and non-profit groups, facilitating meetings and delivering workshops. Most of my work is carried out during the winter and fall months, leaving me lots of time to garden, read, travel and spend more time with family and friends. I consider myself fortunate and am grateful that I continue learning from the work I do and still enjoy lots of unstructured time.

Early retirement...there's no life like it!

"Volunteering helps make our community a better place to live and work and is highly valued by the Corporation."

President and CEO Ernie MacKinnon presenting the Volunteer of the Year 2002 Award to Al Lynch. Mr. Lynch received the award in recognition of his role with Big Brothers/Big Sisters, the Cancer Society, the Conservation Council and the Harvest Jazz and Blues Festival.

"Volunteering helps make our community a better place to live and work and is highly valued by the Corporation", said President Ernie MacKinnon. "We have a kind and caring group of employees, whether giving generously of their time, donating food at Christmas or raising money for charitable organizations. Last year our 32 employees gave over 1000 hours of their time to these causes. This is very impressive for people with young families and the pressure of our work", he said.