

Financial Statements of

**NEW BRUNSWICK INVESTMENT  
MANAGEMENT CORPORATION**

Year ended March 31, 2004

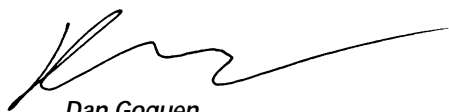
## MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The Financial Statements of the New Brunswick Investment Management Corporation are the responsibility of the management of the Corporation. They have been approved by its Board of Directors.

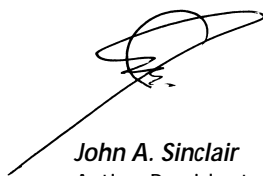
Management prepared the financial statements in accordance with generally accepted accounting principles.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.



**Dan Goguen**  
Vice-President, Finance and Administration



**John A. Sinclair**  
Acting President and Chief Executive Officer

## AUDITORS' REPORT

### To the Directors of New Brunswick Investment Management Corporation

We have audited the statement of financial position of New Brunswick Investment Management Corporation as at March 31, 2004 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**KPMG LLP**  
Chartered Accountants

Fredericton, NB, Canada  
April 29, 2004

**NEW BRUNSWICK  
INVESTMENT MANAGEMENT CORPORATION  
Financial Statements**

Year ended March 31, 2004

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# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

## Statement of Financial Position

March 31, 2004, with comparative figures for 2003

	2004	2003
<b>Assets</b>		
Current assets:		
Cash	\$ 4,950	\$ 10,507
Accounts receivable, Pension Funds	2,063,620	976,396
Other receivables	8,587	13,620
Prepaid expenses and other receivables	273,489	212,569
	<u>2,350,646</u>	<u>1,213,092</u>
Capital assets (note 3)	286,828	383,702
	<u>\$ 2,637,474</u>	<u>\$ 1,596,794</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,929,630	\$ 1,147,152
Harmonized Sales Tax	75,042	65,940
Current portion of pension liability (note 5)	22,149	-
	<u>2,026,821</u>	<u>1,213,092</u>
Pension liability (note 5)	323,825	-
Deferred contributions related to capital assets (note 6)	286,828	383,702
Net assets	-	-
Commitment (note 4)	-	-
	<u>\$2,637,474</u>	<u>\$ 1,596,794</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



Acting President and Chief Executive Officer

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Statement of Operations and Changes in Net Assets

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
<b>Revenue:</b>		
Fees:		
Public Service Superannuation Fund	\$ 4,651,713	\$ 3,784,711
Teachers' Pension Fund	4,161,675	3,480,007
Judges' Superannuation Fund	32,322	26,998
Amortization of deferred contributions related to capital assets	157,134	166,310
Other	34,197	4,424
	<u>9,037,041</u>	<u>7,462,450</u>
<b>Expenses:</b>		
Salaries and benefits	4,175,903	3,149,031
Other services (note 7)	4,635,285	4,074,362
Materials and supplies	68,719	72,747
Amortization of capital assets	157,134	166,310
	<u>9,037,041</u>	<u>7,462,450</u>
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

## Notes to Financial Statements

Year ended March 31, 2004

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New Brunswick Investment Management Corporation (the "Corporation") was established pursuant to the New Brunswick Investment Management Corporation Act which was proclaimed on March 11, 1996. The Corporation is exempt from income taxes.

**Its legislated mandate is to:**

- act as trustee for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund ("the Funds");
- provide investment counseling services and other services for certain trust funds;
- promote the development of the financial services industry and capital markets in the Province;
- have regard to investment opportunities in the Province in developing its investment policies, and;
- carry out such other activities or duties as may be authorized or required by the Act or as the Lieutenant-Governor in Council may direct.

**1. Significant accounting policies:**

**(a) Accounting entity:**

The Corporation is an entity separate from the pension funds for which it is trustee. Expenses of the Corporation are fully funded by the Funds.

**(b) Basis of accounting:**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

**(c) Capital assets:**

Capital assets are recorded at cost and amortization is calculated on a straight-line basis using annual rates shown in note 3.

**(d) Revenue recognition:**

Fees for services are recognized in revenue as services are performed.

The Corporation follows the deferral method of accounting for contributions. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding with amortization rates for the related capital assets.

**2. Statement of Cash Flows:**

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Notes to Financial Statements (continued)

Year ended March 31, 2004

#### 3. Capital assets:

				2004	2003
	Rate	Cost	Accumulated depreciation	Net book value	Net book value
Computer equipment	33 1/3%	\$ 539,616	\$ 456,608	\$ 83,008	\$ 107,593
Furniture and equipment	8%	317,918	179,894	138,024	181,057
Leasehold improvements	10%	260,734	194,938	65,796	95,052
		\$1,118,268	\$ 831,440	\$ 286,828	\$ 383,702

#### 4. Commitments:

The Corporation leases premises and equipment under various operating leases which expire at various dates between 2005 and 2012.

Future minimum payments, by year and in aggregate, are as follows:

2005	\$ 245,700
2006	245,700
2007	245,700
2008	245,700
2009	245,700
Later years through 2012	696,150
	\$ 1,924,650

#### 5. Pension liability:

The Corporation has recorded an estimated liability and salary and benefit expense in the amount of approximately \$346,000 for special supplemental pension relating to past service approved in the current year. This amount is equivalent to the commuted value of the expected payments. The ultimate cost to the Corporation will vary based on the rise in the consumer price index and demographic factors. Changes in the expected liability will be recorded in the period the change occurs. Payments to date and future payments will be derived from an increase in the fees charged to the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund.

#### 6. Deferred contributions related to capital assets:

	2004	2003
Balance, beginning of year	\$ 383,702	\$ 412,293
Additional contributions received, net	60,260	137,719
Less amounts amortized to revenue	157,134	166,310
	\$ 286,828	\$ 383,702

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Notes to Financial Statements *(continued)*

Year ended March 31, 2004

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#### 7. Other services:

	2004	2003
External management fees and expenses	\$ 2,743,700	\$ 2,295,590
Custodial services	160,346	106,583
Travel	209,316	204,296
Office rent	295,323	233,150
Professional services	242,594	389,616
Information systems	818,867	688,159
Other	165,139	156,968
	<hr/>	<hr/>
	\$ 4,635,285	\$ 4,074,362

#### 8. Fair value of financial assets and financial liabilities:

The fair value of the Corporation's cash, accounts receivable - Pension Funds, other receivables, accounts payable and accrued liabilities and pension liability approximate their carrying amounts.

#### 9. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



**NEW BRUNSWICK  
INVESTMENT MANAGEMENT CORPORATION**  
**Financial Statements**

Year ended March 31, 2004

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- Public Service Superannuation Fund
- Teachers' Pension Fund
- Judges' Superannuation Fund

## MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The Financial Statements of the New Brunswick Investment Management Corporation are the responsibility of the management of the Corporation. They have been approved by its Board of Directors.

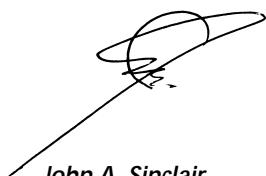
Management prepared the financial statements in accordance with generally accepted accounting principles.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.



**Dan Goguen**  
Vice-President, Finance and Administration



**John A. Sinclair**  
Acting President and Chief Executive Officer

## AUDITORS' REPORT

To the Directors of New Brunswick Investment Management Corporation.

We have audited the statements of net assets held in trust by the New Brunswick Investment Management Corporation for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund as at March 31, 2004 and the statements of changes in net assets held in trust for the year then ended. These financial statements have been prepared to comply with section 27(1) of the *New Brunswick Investment Management Corporation Act*. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets held in trust by the New Brunswick Investment Management Corporation for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund as at March 31, 2004 and the changes in net assets held in trust for the year then ended in accordance with the basis of accounting as disclosed in note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the New Brunswick Investment Management Corporation for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund and the Minister of Finance for the Province of New Brunswick pursuant to the requirements of section 27(1) of the *New Brunswick Investment Management Corporation Act*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

**KPMG LLP**  
Chartered Accountants

**KPMG**

Fredericton, NB, Canada  
June 21, 2004

**NEW BRUNSWICK  
INVESTMENT MANAGEMENT CORPORATION**  
**Net Assets Held in Trust**  
**Financial Statements**

Year ended March 31, 2004

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## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Public Service Superannuation Fund Statement of Net Assets Held in Trust (in thousands of dollars)

March 31, 2004, with comparative figures for 2003

	2004	2003
<b>Assets</b>		
Investments (note 3)	\$ 3,456,048	\$ 2,753,510
Contributions receivable	8,314	7,333
	3,464,362	2,760,843
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,429	970
<b>Net assets</b>	\$ 3,462,933	\$ 2,759,873

### Public Service Superannuation Fund Statement of Changes in Net Assets Held in Trust (in thousands of dollars)

Year ended March 31, 2004, with comparative figures for 2003

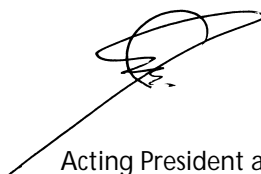
	2004	2003
<b>Increase in net assets:</b>		
Investment income (note 4)	\$ 701,030	\$ -
Pension contributions from sponsor	166,124	116,572
	867,154	116,572
<b>Decrease in net assets:</b>		
Investment loss (note 4)	-	220,134
Payments to sponsor for benefits	156,804	152,099
Payments to sponsor for expenses	2,106	2,179
Fees paid to NBIMC	5,184	4,619
	164,094	379,031
<b>Net increase (decrease)</b>	703,060	(262,459)
<b>Net assets held in trust, beginning of year</b>	2,759,873	3,022,332
<b>Net assets held in trust, end of year</b>	\$ 3,462,933	\$ 2,759,873

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



Acting President and Chief Executive Officer

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Teachers' Pension Fund  
Statement of Net Assets Held in Trust  
(in thousands of dollars)**

March 31, 2004, with comparative figures for 2003

	2004	2003
<b>Assets</b>		
Investments (note 3)	\$ 3,076,388	\$ 2,506,691
Contributions receivable	3,498	3,697
	3,079,886	2,510,388
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,183	657
<b>Net assets</b>	<b>\$ 3,078,703</b>	<b>\$ 2,509,731</b>

**Teachers' Pension Fund  
Statement of Changes in Net Assets Held in Trust  
(in thousands of dollars)**

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
<b>Increase in net assets:</b>		
Investment income (note 4)	\$ 615,592	\$ -
Pension contributions from sponsor	136,908	69,526
	752,500	69,526
<b>Decrease in net assets:</b>		
Investment loss (note 4)	-	180,819
Payments to sponsor for benefits	177,696	164,270
Payments to sponsor for expenses	1,195	1,234
Fees paid to NBIMC	4,637	4,247
	183,528	350,570
<b>Net increase (decrease)</b>	<b>568,972</b>	<b>(281,044)</b>
<b>Net assets held in trust, beginning of year</b>	<b>2,509,731</b>	<b>2,790,775</b>
<b>Net assets held in trust, end of year</b>	<b>\$ 3,078,703</b>	<b>\$ 2,509,731</b>

See accompanying notes to financial statements.

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Judges' Superannuation Fund  
Statement of Net Assets Held in Trust  
(in thousands of dollars)**

March 31, 2004, with comparative figures for 2003

	2004	2003
<b>Assets</b>		
Investments (note 3)	\$ 23,568	\$ 19,350
Contributions receivable	33	2
	23,601	19,352
<b>Liabilities</b>		
Accounts payable and accrued liabilities	9	33
<b>Net assets</b>	<b>\$ 23,592</b>	<b>\$ 19,319</b>

**Judges' Superannuation Fund  
Statement of Changes in Net Assets Held in Trust  
(in thousands of dollars)**

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
<b>Increase in net assets:</b>		
Investment income (note 4)	\$ 5,146	\$ -
Pension contributions from sponsor	258	241
	5,404	241
<b>Decrease in net assets:</b>		
Investment loss (note 4)	-	1,972
Payments to sponsor for benefits	1,083	1,220
Payments to sponsor for expenses	13	15
Fees paid to NBIMC	35	33
	1,131	3,240
<b>Net increase (decrease)</b>	<b>4,273</b>	<b>(2,999)</b>
<b>Net assets held in trust, beginning of year</b>	<b>19,319</b>	<b>22,318</b>
<b>Net assets held in trust, end of year</b>	<b>\$ 23,592</b>	<b>\$ 19,319</b>

See accompanying notes to financial statements.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2004

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The assets of the Public Service Superannuation Fund, Teachers' Pension Fund and Judges' Superannuation Fund, ("the Funds") are held in trust by the New Brunswick Investment Management Corporation ("NBIMC"). NBIMC was appointed as trustee on March 11, 1996, by an Act of the New Brunswick Legislature which bears the Corporation's name (NBIMC Act) and assumed responsibility for the management of the Funds' assets effective April 1, 1996.

On April 1, 1998, the assets of the Funds were transferred to unit trust funds established by NBIMC. This portfolio structure facilitates the collective investment management and administration of the assets. There were 15 unit trust funds in place at year-end, each pool with a specific investment mandate. Each of the Funds holds units of the unit trust funds in accordance with the investment policy of the Funds.

#### **1. Basis of accounting:**

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the regulatory requirements under the New Brunswick Investment Management Corporation Act. The basis of accounting used in these financial statements differs materially from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the plan. Consequently, these financial statements do not purport to show the adequacy of the plan's assets to meet its pension obligations.

#### **2. Significant accounting policies:**

##### **(a) Accounting entity:**

These financial statements include information only about assets of the Funds under the management of NBIMC. The amounts of contributions to and payments from the Funds are determined by their Sponsor, the Province of New Brunswick. The Sponsor is responsible for the administration of collections from and payments to members.

##### **(b) Investments:**

All investments of the Funds are represented by holdings of units of the unit trust funds. The total value is based on the calculated net asset value multiplied by the number of units held. Investments in the unit trust funds are valued at their market value as of the date of the financial statements. For securities listed on an exchange, market value is the closing price listed for the exchange. If no closing price is available, the average of the latest bid and ask price is used. Securities not listed on an exchange are valued based on a quotation service from a recognized dealer. Private equity and Canadian real estate investments are carried at cost which approximates market unless circumstances specific to each investment warrant a change in value. Investments in money market instruments are reported at cost which approximates market value.

##### **(c) Foreign currency translation:**

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the date of the statement of net assets held in trust. Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in investment income.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2004

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#### 2. Significant accounting policies *(continued)*:

##### (d) Measurement uncertainty:

The preparation of financial statements in conformity with the disclosed basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Valuation of investments at market value is the most significant item where estimates are used. Actual results could differ from those estimates.

#### 3. Investments:

Investment assets of the Funds are held in the unit trust funds for which NBIMC is trustee.

Following is a description of each unit trust fund in existence during the year ended March 31, 2004:

##### **Nominal Bond:**

Invests primarily in investment grade bonds (a minimum of triple-B rated by a major rating agency) of G-7 countries and Canadian provinces paying a nominal rate of interest. The return objective is to add 20 basis points to its benchmark, the Scotia Capital All Government Index, over a four-year moving average.

##### **New Brunswick Fixed Income Opportunity:**

Invests primarily in fixed income issues to finance economic activity in New Brunswick. The return objective is to add 20 basis points to its benchmark, the Scotia Capital All Government Index, over a four-year moving average.

##### **Inflation Linked Securities:**

Invests primarily in fixed income instruments that are adjusted for inflation of G-7 countries. The return objective is to add 10 basis points to its benchmark, the Scotia Capital Real Return Bond Index, over a four-year moving average.

##### **Money Market:**

Invests primarily in fixed income securities having a maturity of less than one year. The return objective is to add 20 basis points to its benchmark which is calculated as 80% of the Scotia Capital 91-Day Treasury Bill Index and 20% of the Call Loan Rate.

##### **Canadian Equity:**

Investments are selected primarily from the top 120 companies on the Toronto Stock Exchange. The return objective is to add 80 basis points to its benchmark, the S&P/TSX Total Return Composite, over a four-year moving average.

##### **External Canadian Equity:**

This fund is managed by external managers and invests in publicly traded Canadian equities. The return objective is to add 100 basis points to its benchmark, the S&P/TSX Total Return Composite, over a four-year moving average. Initial investment activity for this fund occurred on April 3, 2003.



## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2004

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#### 3. Investments (continued):

##### **TSE Small-Cap:**

Managed by an external manager, this fund invests primarily in the bottom 180 companies of the S&P/TSX Composite. The return objective is to exceed the performance of its benchmark, the S&P/TSX Small-Cap Index, by 100 basis points.

##### **Allocation Equity Domestic:**

This fund is used to implement asset allocation decisions by investing in the Canadian equity market. Its primary investments are derivative products such as futures, options and swaps. Leverage is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. The benchmark is the S&P/TSX Total Return Composite. All units of this fund were redeemed as of September 8, 2003.

##### **Allocation Equity International:**

This fund is used to implement asset allocation decisions and diversify equity investments by participating in the equity markets of the U.S., Japan and developed European countries. It gains exposure to these markets by using derivative products such as futures, options and swaps, as well as investing in pooled funds of index products managed by an external manager. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. This fund is also used to implement quantitative long-short strategies on the U.S. equity markets. The benchmark is a weighting of the respective country or regional indices.

##### **Public Equity:**

This fund is managed by external managers and invests in publicly traded equities in developed European and United States markets. The return objective is to exceed the performance of the benchmark, which is a weighting of the respective country or regional indices, by 200 basis points over four-year moving average.

##### **North American Market Neutral:**

This fund focuses on adding value through security selection within its universe of the S&P/TSX 60 and S&P/TSX Mid-Cap stocks as well as certain publicly traded US-listed stocks. Favored securities are purchased and offset by a corresponding short position in another security within the same sector. The portfolio is supported by a cash underlay and its return objective is to add 500 basis points annually over a four-year moving average basis to its benchmark which is calculated as 80% of the Scotia Capital 91-Day Treasury Bill Index and 20% of the Call Loan Rate. Initial investment activity for this fund occurred on June 30, 2003.

##### **New Brunswick and Atlantic Canada Equity Opportunity:**

This fund invests in public and private equities or instruments convertible into equities of New Brunswick and Atlantic Canada companies. The return objective is to add 80 basis points to its benchmark, the S&P/TSX Total Return Composite, over a four-year moving average.

##### **Private Equity:**

This fund is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies. The return objective is to exceed the performance of its benchmark, a blend of the S&P 500, FTSE-100, DAX, CAC-40 and MIB-30 total return indices, by 300 basis points over a four-year moving average.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2004

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#### 3. Investments (continued):

##### **Canadian Real Estate:**

This fund is managed by an external manager and invests in Canadian real estate investments through limited partnerships or similar investment vehicles. The benchmark is inflation, as measured by the percentage change in the twelve-month CPI-Canada All Items Index, plus four percent. Initial investment activity for this fund occurred on January 22, 2004.

##### **U.S. Real Estate:**

This fund is managed by an external manager that invests primarily in publicly traded securities of U.S. Real Estate Investment Trusts. The return objective is to add 150 basis points to the NAREIT<sup>®</sup>, Equity Index.

##### **Student Investment:**

This fund is managed by students at the University of New Brunswick who are registered in the Student Investment Fund Program. Its initial base was \$1 million and is to be invested using the same philosophy as that used by NBIMC. The overall benchmark for this fund is composed of 50% S&P/TSX 60, 45% Scotia Capital All Government Index and 5% Scotia Capital 91-Day Treasury Bill Index. The activities of this fund are closely monitored by NBIMC staff who execute and process all transactions on behalf of the students.

Investments are subject to many risk factors. Risk Management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency fluctuations, interest rate volatility, market and credit risk. NBIMC has set formal policies and procedures that establish an asset mix among equity and fixed income investments, that requires diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

##### **Foreign Currency Risk:**

Foreign currency exposure arises from a unit trust fund holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. NBIMC mitigates this risk through the use of foreign exchange forward contracts.

##### **Interest Rate Risk:**

Interest rate risk refers to the effect on the market value of the unit trust fund's investments due to fluctuation of interest rates. The fixed income portfolio has guidelines on duration and distribution, which are designed to mitigate the risk of interest rate volatility.

##### **Market Risk:**

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. NBIMC's policy is to invest in a diversified portfolio of investments, based on criteria established in their Investment Policies and Investment Procedures Manual, and to utilize derivative contracts that are designed to mitigate the impact of market risk.

##### **Credit Risk:**

The Funds are exposed to credit-related risk in the event a security counterparty defaults or becomes insolvent. NBIMC has established investment criteria which are designed to manage credit risk by establishing limits to credit exposure from individual corporate entities.

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Net Assets Held in Trust**  
**Notes to Financial Statements**  
(in thousands of dollars)

Year ended March 31, 2004

**3. Investments (continued):**

Following are details of unit trust holdings by each of The Funds:

**(a) Public Service Superannuation Fund:**

	Units	Unit Value (Rounded in dollars)	2004	2003
<b>Fixed income:</b>				
Nominal Bond	630,835	\$ 1,406	\$ 886,850	\$ 821,053
New Brunswick Fixed Income Opportunity	18,135	1,560	28,298	25,933
			915,148	846,986
Inflation Linked Securities	225,385	1,765	397,831	319,076
Money Market	102,306	1,235	126,357	103,774
			1,439,336	1,269,836
<b>Equities:</b>				
Canadian Equity	588,253	1,245	732,214	685,742
External Canadian Equity	147,836	1,386	204,913	-
TSE Small-Cap	46,902	1,526	71,576	68,168
Allocation Equity Domestic	-	-	-	73,267
Allocation Equity International	625,992	1,054	659,486	455,531
Public Equity	123,482	895	110,481	36,474
			1,778,670	1,319,182
<b>Alternative investments:</b>				
North American Market Neutral	115,136	1,043	120,122	-
New Brunswick and Atlantic Canada Equity Opportunity	9,037	1,005	9,086	27,597
Private Equity	45,721	705	32,249	81,737
Canadian Real Estate	1,605	1,000	1,605	-
U.S. Real Estate	39,612	1,875	74,255	54,562
			237,317	163,896
<b>Balanced:</b>				
Student Investment	485	1,494	725	596
			\$ 3,456,048	\$ 2,753,510

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

## Net Assets Held in Trust Notes to Financial Statements (in thousands of dollars)

Year ended March 31, 2004

### 3. Investments (continued):

#### (b) Teachers' Pension Fund:

	Units	Unit Value (Rounded in dollars)	2004	2003
<b>Fixed income:</b>				
Nominal Bond	583,910	\$ 1,406	\$ 820,882	\$ 772,704
New Brunswick Fixed Income Opportunity	16,157	1,560	25,211	23,611
			846,093	796,315
Inflation Linked Securities	218,247	1,765	385,232	315,891
Money Market	88,715	1,235	109,571	93,702
			1,340,896	1,205,908
<b>Equities:</b>				
Canadian Equity	501,193	1,245	623,846	601,224
External Canadian Equity	131,929	1,386	182,864	-
TSE Small-Cap	40,170	1,526	61,302	59,995
Allocation Equity Domestic	-	-	-	66,706
Allocation Equity International	528,555	1,054	556,836	389,786
Public Equity	110,011	895	98,428	33,208
			1,523,276	1,150,919
<b>Alternative investments:</b>				
North American Market Neutral	102,574	1,043	107,017	-
New Brunswick and Atlantic Canada Equity Opportunity	8,051	1,005	8,095	25,126
Private Equity	40,733	705	28,731	74,413
Canadian Real Estate	1,430	1,000	1,430	-
U.S. Real Estate	35,291	1,875	66,154	49,676
			211,427	149,215
<b>Balanced:</b>				
Student Investment	528	1,494	789	649
			\$ 3,076,388	\$ 2,506,691

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Net Assets Held in Trust**  
**Notes to Financial Statements**  
(in thousands of dollars)

Year ended March 31, 2004

**3. Investments** *(continued)*:

**(c) Judges' Superannuation Fund:**

	Units	Unit Value (Rounded in dollars)	2004	2003
<b>Fixed income:</b>				
Nominal Bond	3,384	\$ 1,406	\$ 4,757	\$ 4,703
New Brunswick Fixed Income Opportunity	124	1,560	193	183
			4,950	4,886
Inflation Linked Securities	1,606	1,765	2,834	2,344
Money Market	680	1,235	840	714
			8,624	7,944
<b>Equities:</b>				
Canadian Equity	4,533	1,245	5,642	5,361
External Canadian Equity	1,010	1,386	1,401	-
TSE Small-Cap	359	1,526	548	528
Allocation Equity Domestic	-	-	-	516
Allocation Equity International	4,721	1,054	4,974	3,587
Public Equity	843	895	754	257
			13,319	10,249
<b>Alternative investments:</b>				
North American Market Neutral	786	1,043	820	-
New Brunswick and Atlantic Canada Equity Opportunity	62	1,005	62	194
Private Equity	312	705	220	575
Canadian Real Estate	11	1,000	11	-
U.S. Real Estate	270	1,875	507	384
			1,620	1,153
<b>Balanced:</b>				
Student Investment	4	1,494	5	4
			\$ 23,568	\$ 19,350

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Net Assets Held in Trust****Notes to Financial Statements**

(in thousands of dollars)

Year ended March 31, 2004

**4. Investment income (loss):****(a) Public Service Superannuation Fund:**

	2004	2003
<b>Fixed income:</b>		
Nominal Bond	\$ 81,697	\$ 80,738
New Brunswick Fixed Income Opportunity	3,094	2,881
	84,791	83,619
Inflation Linked Securities	54,210	62,089
Money Market	3,774	3,702
	142,775	149,410
<b>Equities:</b>		
Canadian Equity	214,343	(136,919)
External Canadian Equity	52,417	-
TSE Small-Cap	26,807	(13,633)
Allocation Equity Domestic	9,295	(9,441)
Allocation Equity International	195,667	(156,289)
Public Equity	15,418	(22,459)
	513,947	(338,741)
<b>Alternative investments:</b>		
North American Market Neutral	4,573	-
New Brunswick and Atlantic Canada Equity Opportunity	1,212	(3,766)
Private Equity	10,062	(28,054)
U.S. Real Estate	28,332	1,048
	44,179	(30,772)
<b>Balanced:</b>		
Student Investment	129	(31)
	\$ 701,030	\$ (220,134)

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**  
**Net Assets Held in Trust**  
**Notes to Financial Statements**  
(in thousands of dollars)

Year ended March 31, 2004

**4. Investment income (loss) (continued):**

**(b) Teachers' Pension Fund:**

	2004	2003
<b>Fixed income:</b>		
Nominal Bond	\$ 75,917	\$ 76,914
New Brunswick Fixed Income Opportunity	2,772	2,655
	<u>78,689</u>	<u>79,569</u>
Inflation Linked Securities	52,336	61,972
Money Market	3,358	3,392
	<u>134,383</u>	<u>144,933</u>
<b>Equities:</b>		
Canadian Equity	183,502	(121,835)
External Canadian Equity	46,706	-
TSE Small-Cap	23,045	(12,083)
Allocation Equity Domestic	8,416	(8,718)
Allocation Equity International	166,052	(133,947)
Public Equity	13,739	(20,715)
	<u>441,460</u>	<u>(297,298)</u>
<b>Alternative investments:</b>		
North American Market Neutral	4,069	-
New Brunswick and Atlantic Canada Equity Opportunity	1,144	(3,487)
Private Equity	9,074	(25,890)
U.S. Real Estate	25,321	957
	<u>39,608</u>	<u>(28,420)</u>
<b>Balanced:</b>		
Student Investment	141	(34)
	<u>\$ 615,592</u>	<u>\$ (180,819)</u>

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Net Assets Held in Trust****Notes to Financial Statements**

(in thousands of dollars)

Year ended March 31, 2004

**4. Investment income (loss) (continued):****(c) Judges' Superannuation Fund:**

	2004	2003
<b>Fixed income:</b>		
Nominal Bond	\$ 450	\$ 480
New Brunswick Fixed Income Opportunity	22	21
	472	501
Inflation Linked Securities	392	468
Money Market	26	27
	890	996
<b>Equities:</b>		
Canadian Equity	1,685	(1,111)
External Canadian Equity	366	-
TSE Small-Cap	209	(110)
Allocation Equity Domestic	65	(70)
Allocation Equity International	1,516	(1,286)
Public Equity	107	(165)
	3,948	(2,742)
<b>Alternative investments:</b>		
North American Market Neutral	32	-
New Brunswick and Atlantic Canada Equity Opportunity	9	(28)
Private Equity	70	(205)
U.S. Real Estate	196	7
	307	(226)
<b>Balanced:</b>		
Student Investment	1	-
	\$ 5,146	\$ (1,972)