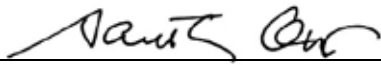




**SUBJECT** UBC INVESTMENT MANAGEMENT TRUST PORTFOLIO REVIEW Q3 2019

**MEETING DATE** NOVEMBER 26, 2019

**APPROVED FOR SUBMISSION** Forwarded on the Recommendation of the President  
  
Santa J. Ono, President and Vice-Chancellor

**FOR INFORMATION**

**Report Date** August 15, 2019

**Presented By** Peter Smalles, Vice-President Finance & Operations  
Dawn Jia, President and CEO, UBC Investment Management Trust

**EXECUTIVE SUMMARY**

UBC Investment Management Trust provides a quarterly review of the investment portfolios of the University and the Staff Pension Plan. The presentation for the quarter ended September 30, 2019 includes:

- a. Market Returns
- b. Results by fund to June 30, 2019 for:
  - I. Endowment Main Pool,
  - II. Sustainable Future Pool,
  - III. Staff Pension Plan,
  - IV. Supplemental Plan, and
  - V. Working Capital Fund.
- c. Responsible Investing

**Attachments**

- 1. IMANT Portfolio Review Q3 2019

**STRATEGIC CORE AREAS SUPPORTED**

People and Places     Research Excellence     Transformative Learning     Local / Global Engagement

# UBC INVESTMENT MANAGEMENT TRUST (UBC IMANT)



UBC Board of Governors  
Portfolio Review Q3 2019

**DAWN JIA, PRESIDENT AND CEO**  
**UBC INVESTMENT MANAGEMENT TRUST**



INVESTMENT  
MANAGEMENT TRUST INC.  
The University of British Columbia

# MARKET RETURNS C\$ to Sept 2019



Asset Class	Q3 19	Q2 19	Q1 19	Q4 18	1 Yr	4 Yr	10 Yr
FTSE Canada 91 Day T-Bills	0.4	0.4	0.4	0.5	1.7	0.9	0.9
FTSE Canada Universe Bond	1.2	2.5	3.9	1.8	9.7	3.6	4.4
FTSE Canada Long Term Bond	2.5	4.8	6.9	1.9	17.1	6.5	7.2
FTSE Canada Real Return Bond	1.3	3.5	5.1	-1.1	9.0	3.5	4.5
S&P/TSX	2.5	2.6	13.3	-10.1	7.1	9.0	7.0
S&P 500	3.0	2.0	11.2	-8.6	6.8	13.5	15.6
MSCI EAFE	0.2	1.4	7.6	-7.6	1.1	6.2	7.1
MSCI World	1.9	1.7	10.0	-8.5	4.3	10.1	11.3
MSCI Emerging	-3.0	-1.6	7.5	-2.2	0.4	8.2	5.6
HFRI FOF: Conservative	1.1	-0.7	1.3	2.0	3.5	2.0	4.9
Canadian Price Index (CPI)	-0.1	0.7	1.5	-0.2	1.9	1.7	1.7
CAD/USD Change	-0.9	0.9	1.8	-6.1	-3.3	0.3	-2.1
CAD/EUR Change	3.4	-0.1	2.9	-5.0	2.7	0.9	0.8
CAD/JPY Change	-0.5	-2.4	3.2	-9.1	-8.3	-2.3	-0.2
CAD/GBP Change	2.3	4.3	-1.6	-3.5	2.5	5.6	0.5

Source: Northern Trust

Currency returns are annualized and based on Bank of Canada noon rates.

## Commentary Q3 2019

Financial markets ended the third quarter with mostly positive returns across the asset classes, despite mixed economic data, concerns around global growth, and continuing trade tensions.

As in the second quarter, Q3 saw shares in developed markets posting moderate gains, led by North American equities. The S&P/TSX Composite rose 2.5%, with defensive sectors such as utilities, real estate and consumer staples making the strongest gains. Internationally, the S&P 500 returned 3.0% in Canadian dollar terms, while the MSCI EAFE returned just 0.2%, hampered by declining European and Australian currencies. Emerging markets continued to feel the effect of fading growth and renewed escalations in the US-China trade dispute, falling a further 3.0% during the quarter.

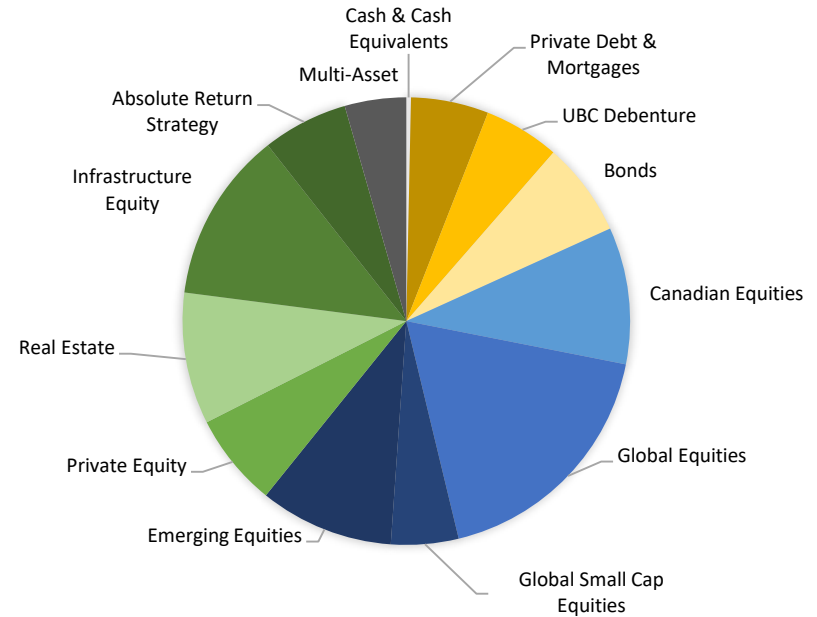
Bond yields touched new lows in Q3 as a result of weakening risk sentiment and further monetary stimulus. September saw the ECB announce a new round of stimulus measures, while the Fed cut rates twice during the quarter. Canadian 10 year bond yields fell 11 bps to end the quarter at 1.36%, while 10 year treasuries fell 35 bps to 1.67%. Yield curves in both markets remain inverted, signalling a higher probability of recession ahead.



# ENDOWMENT MAIN POOL

## Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	0.3%	2.0%
Private Debt & Mortgages	5.6%	5.0%
UBC Debenture	5.5%	5.8%
Bonds	6.8%	7.3%
<b>Total Fixed Income</b>	<b>18.2%</b>	<b>20.0%</b>
Canadian Equities	9.9%	10.0%
Global Equities	18.1%	15.0%
Global Small Cap Equities	4.9%	5.0%
Emerging Equities	9.7%	10.0%
<b>Total Public Equity</b>	<b>42.6%</b>	<b>40.0%</b>
Private Equity	6.7%	10.0%
Real Estate	9.5%	10.0%
Infrastructure Equity	12.3%	12.5%
Absolute Return Strategy	6.2%	7.5%
<b>Total Alternatives</b>	<b>34.8%</b>	<b>40.0%</b>
Multi-Asset	4.4%	0.0%



\* Numbers may not add due to rounding.



# ENDOWMENT MAIN POOL

## Investment Objective and Strategy:

The Endowment Main Pool shall be invested to meet the University's required return of CPI+4% (spend rate)+0.65% (admin expenses). Performance shall be evaluated against the investment policy portfolio after investment management fees.

Market Value (\$M):            \$ 1,761

## Investment Performance to September 30<sup>th</sup>, 2019:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Required Return	1.07%	2.90%	6.60%	5.94%	5.98%
Actual Returns*	1.53%	2.87%	6.21%	7.60%	8.64%
Inv. Policy Benchmark	1.46%	3.76%	6.06%	7.51%	8.34%
Value Added	0.07%	-0.89%	0.15%	0.09%	0.30%

## Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Endowment Main Pool	3.90%	4.31%
Inv. Policy Benchmark	3.60%	4.70%

\* Net of investment manager fees



# ENDOWMENT MAIN POOL

## Performance Drivers – Quarter

The UBC Endowment Main Pool portfolio returned 1.53% in Q3 2019, above the policy portfolio by 7 bps. Canadian Equities and Real Estate outperformed their benchmarks, while Infrastructure Equity and Private Equity lagged.

## Performance Drivers – One Year

During the 12 months ended September 2019 the UBC Endowment Main Pool portfolio gained 6.21%, 15 bps above the policy portfolio (6.06% in the period). Infrastructure Equity, Real Estate and Emerging Markets Equities all significantly outperformed their benchmarks, while Canadian Equities and Private Equity underperformed.



# SUSTAINABLE FUTURE POOL

## Investment Objective and Strategy:

The Sustainable Future Pool policy benchmark targets preservation of capital and purchasing power in order to provide the same level of support in perpetuity as the Endowment Fund. However, it also incorporates two non-financial objectives: to invest in manner that helps materially lower CO2 emissions and to exclude investments in fossil fuel companies

**Market Value (\$M):**      **\$ 31.3**

## Investment Performance to September 30<sup>th</sup> 2019:

	Qtr	1 Year	2 Year	2 Year Std Dev
Actual Returns*	1.87%	8.81%	10.04%	7.87%
Inv. Policy Benchmark	1.69%	6.18%	8.47%	7.18%
Value Added	0.18%	2.63%	1.57%	
Endowment Main Pool Actual Returns	1.53%	6.21%	7.11%	4.10%

Numbers may not add due to rounding. \*Net of investment manager fees

Policy Benchmark: 70% MSCI World, 30% FTSE Canada Universe Government Bond Index

## Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Fixed Income	27.4%	30.0%
Global Equities	72.6%	70.0%

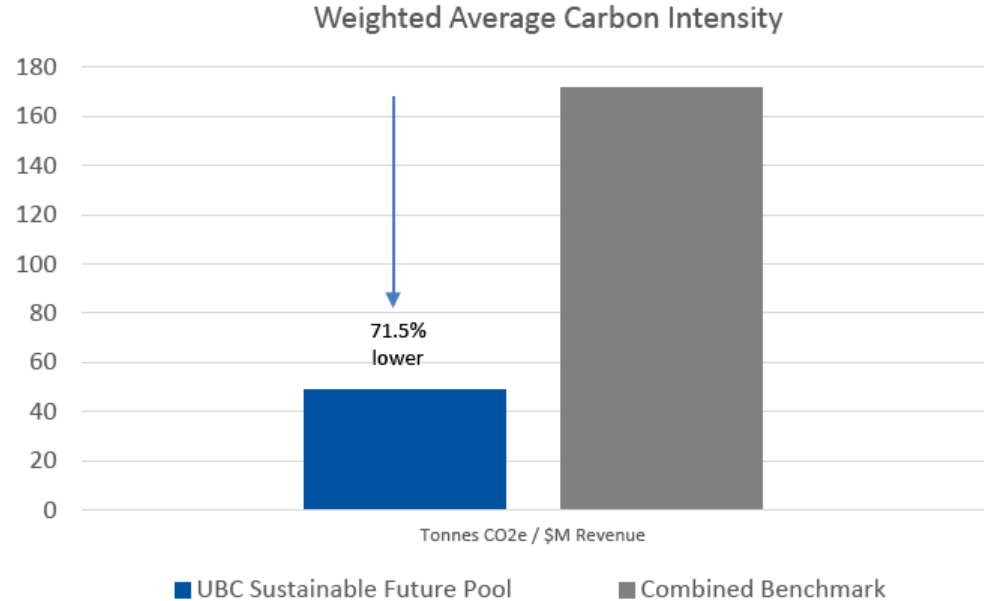
\* Net of investment manager fees



# SUSTAINABLE FUTURE POOL

## Non-Financial Performance

The UBC Sustainable Future Pool is estimated to have a carbon intensity that is over 70% lower than its benchmark. For every \$1 million of revenue generated by the companies that the Fund is invested in, the Fund has an emissions footprint of 49 tonnes of CO<sub>2</sub> equivalent, compared to 171 tonnes of CO<sub>2</sub> equivalent for the benchmark. The Fund's lower emissions profile is driven in part by its exclusion of the fossil fuel companies and heavy users of fossil fuels like utilities. The remainder is an outcome of Jarislowsky Fraser's approach, active management and the broadly favourable environmental profile of the portfolio's holdings.



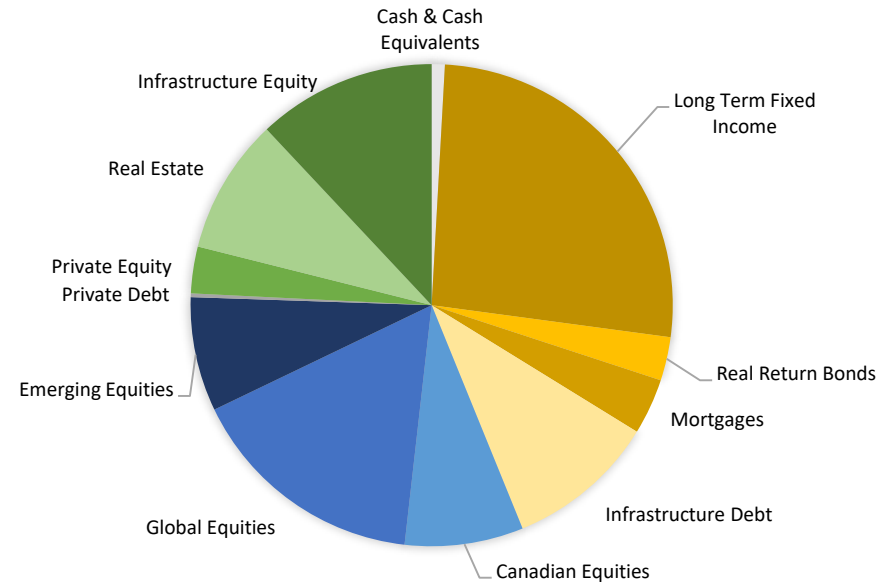




# STAFF PENSION PLAN

## Asset Mix Summary:

Asset Class	Current Mix	Policy Mix*
Cash & Cash Equivalents	0.9%	1.0%
Long Term Fixed Income	26.2%	19.0%
Real Return Bonds	2.9%	0.0%
Mortgages	3.8%	5.0%
Infrastructure Debt	10.0%	10.0%
<b>Total Fixed Income</b>	<b>43.8%</b>	<b>35.0%</b>
Canadian Equities	7.9%	7.5%
Global Equities	16.1%	15.0%
Emerging Equities	7.7%	7.5%
<b>Total Public Equity</b>	<b>31.7%</b>	<b>30.0%</b>
Private Debt	0.3%	7.5%
Private Equity	3.1%	5.0%
Real Estate	9.1%	10.0%
Infrastructure Equity	12.0%	12.5%
<b>Total Alternatives</b>	<b>24.5%</b>	<b>35.0%</b>



\*New policy effective January 2019



# STAFF PENSION PLAN

## Investment Objective and Strategy:

The Staff Pension Plan is invested to provide stable lifetime retirement pensions in accordance with the Statement of Policies and Procedures. Performance shall be evaluated against the investment policy portfolio after investment management fees.

**Market Value (\$M):**                   **\$ 1,921**

## Investment Performance to September 30<sup>th</sup>, 2019:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Actual Returns*	1.84%	11.12%	10.31%	7.90%	8.56%
Inv. Policy Benchmark	1.81%	10.50%	10.32%	7.09%	7.89%
Value Added	0.03%	0.62%	-0.01%	0.82%	0.68%

## Asset/Liability Snapshot

	Mar-16	Mar-17	Mar-18	Mar-19
Funded Ratio	120.2%	124.8%	126.8%	140.8%
Discount Rate	5.75%	5.75%	5.75%	6.25%

## Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Staff Pension Plan	4.09%	4.08%
Inv. Policy Benchmark	3.70%	4.31%

\* Net of investment manager fees



# STAFF PENSION PLAN

## Performance Drivers – Quarter

The Staff Pension Plan portfolio returned 1.84% in Q3 2019, 3 bps above the policy portfolio (1.81% this quarter). Alternatives and Fixed Income lagged, with Private Equity and Infrastructure Debt underperforming. Real Estate, Canadian Equities and Global Equities outperformed their benchmarks.

## Performance Drivers – One Year

During the 12 months ended September 2019, the Staff Pension Plan portfolio returned 10.31%, 1 bp below the policy portfolio (10.32% in the period). Over this longer timeframe, Alternatives outperformed, led by Infrastructure Equity and Real Estate. Canadian Equities and Global Equities underperformed over the full year period.



# SUPPLEMENTAL ARRANGEMENT

## Investment Objective and Strategy:

The Supplemental Arrangement is designed to replicate the returns of the UBC Faculty Pension Plan’s Balanced Fund. Since November 2012 the Plan has been invested in a balanced portfolio of passively managed index funds (Canadian Equity, Global Equity, Canadian Bonds and Real Estate)

Market Value (\$M)\*: 103.7

## Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns**	1.76%	7.57%	7.30%	7.43%
Inv. Policy Benchmark	1.75%	7.53%	7.22%	7.82%
Value Added	0.01%	0.04%	0.08%	-0.39%
FPP Actual Returns**	1.78%	7.14%	--	8.27%

Policy Benchmark: Weighted average of FTSE Canada Universe Bond; FTSE Canada Real Return Bond, S&P TSX Composite, MSCI AC World ex-Canada, FTSE EPRA/NAREIT Developed Index.

\*\*Gross returns. Numbers may not add due to rounding.

## Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Fixed Income	40.3%	40.0%
Equities	54.9%	50.0%
Real Estate	4.9%	10.0%



# WORKING CAPITAL FUND

## Investment Objective and Strategy:

The primary objectives of the Working Capital Fund are the preservation of capital to meet future disbursement requirements and the provision of liquidity for the University. Secondary objectives include investment return and operational efficiency.

**Market Value (\$M)\*:** \$815.0

## Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns*	0.64%	4.68%	1.73%	2.74%
Inv. Policy Benchmark	0.30%	3.95%	1.10%	2.33%
Value Added	0.34%	0.73%	0.63%	0.41%

Numbers may not add due to rounding. \*Net of investment manager fees

Policy Benchmark: Oct 2017 to present: 15% 30-day Treasury Bill and 85% FTSE Canada Short-term Overall Bond Index

## Asset Mix Summary:

Asset Class	Current Mix	Target Mix
Money Market	14.4%	10.0%
Short-Term Bond & Mortgages	55.9%	55.0%
Mortgages	29.7%	35.0%



## PEER COMPARISONS - Performance (Gross) to June 30, 2019

	3 Months	1 year	3 years	5 years	10 years
Endowment Fund	1.4%	5.6%	8.3%	7.5%	9.2%
Benchmark	2.3%	5.2%	8.2%	7.3%	8.9%
Staff Pension Plan	2.5%	8.3%	7.6%	7.9%	9.0%
Benchmark	3.0%	7.8%	6.6%	7.1%	8.3%
Faculty Pension Plan	2.2%	6.2%	6.9%	7.1%	8.7%
Benchmark	2.4%	6.1%	6.8%	6.5%	7.8%
Endowment Peer Composite <sup>1</sup>	1.0%	3.7%	7.8%	7.4%	9.1%
Pension Peer Composite <sup>1</sup>	2.0%	6.0%	8.0%	7.5%	9.0%

1. Peer Composite is the average of the following universities: McGill, U of Alberta, Queens, U of Toronto and U de Montreal



# RESPONSIBLE INVESTING FRAMEWORK

## Incorporation of Responsible Investing at UBC IMANT:

- i) Fiduciary requirement to meet the financial requirements of all stakeholders
- ii) Sustainability through incorporation of best practices in Environmental, Social and Governance (ESG) considerations
- iii) Active ownership and engagement
  - Require managers to evidence ESG incorporation in investment decision-making
  - Require managers to practice corporate engagement through proxy voting and direct contact
  - Engage with peers to influence industry groups and regulatory bodies to promote ESG incorporation, disclosure of ESG risks and promotion of responsible investing.



# UBC IMANT RESPONSIBLE INVESTING

## 2019 Engagement Highlights

- Private asset managers showed significant adoption of responsible investment principles
- Manager engagements to improve ESG transparency and implementation
- IMANT achieved nearly universal disclosure of CO2 emissions from public equity managers

## Key Engagement Indicators

- 100% of IMANT's public asset managers are signatories to UN Principles for Responsible Investment
- 74% of IMANT's private asset managers incorporate ESG in their investment decisions

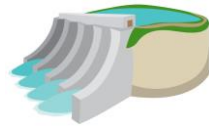


# UBC IMANT RENEWABLE ENERGY INVESTMENTS



## Biomass

- Conifex Power
- Fort St. James Green Energy Project
- Fortress Bioenergy
- Merritt Green Energy Project
- Sunderland Project



## Hydroelectric

- Canoe Creek Hydro
- Dorena Hydro
- Haa-Ak-Suuk Creek Hydro
- Harrison Hydro Project
- Hydro Canyon Saint-Joachim
- Hydromega (Kapuskasing) Project
- Isagen SA
- Namewaminikan Hydro
- Northwest Stave River Hydro
- Okikendawt Hydro
- Solutions Globales Centre De Données Drummond
- Winchie Creek Hydro



## Solar

- Alderville Solar
- Arenales Electric
- Firelight Solar
- Green Soldiers One Solar Project
- Mom Solar L.P.
- Plateau Green Energy Electric
- Potentia Solar
- Reliant First Nation
- Sune Norfolk
- Sunningdale Project



## Wind

- Affinity Wind
- Em Wind L.P.
- Glen Dhu Wind Energy
- Mi'Kmaq - Wind4All Commsunities
- Richibucto Wind Farm
- Tugliq Wind Power



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