EXECUTIVE SUMMARY

The UBC Board of Governors asked IMANT to review the performance of the Absolute Return Strategies (ARS) program against investment objectives for the UBC Endowment Fund. In response to this request, during the IMANT Board’s quarterly meeting on May 24, 2019, IMANT Board members reviewed the ARS program implemented within the UBC Endowment Fund. The review included an in-person presentation by the CIO of Aptitude Investment Management followed by a Board question-and-answer period.

Background

The ARS program was established in June of 2015 following an extensive investment education and discussion between IMANT Staff, IMANT Board and the UBC Board of Governors following the 2013 asset mix review. The investment objective of the ARS program is to generate an absolute return of 5% above the rate of inflation. With the long-term inflation assumption of 2%, the ARS program is expected to generate 7% per year while providing diversification benefits to the UBC Endowment Fund. $108 million of the UBC Endowment Fund assets are invested in the ARS program constituting 6% of the fund.

Investments

The ARS program was implemented through three external investment managers identified by IMANT Staff with an assistance of an external consultant. The first two tranches were implemented in 2015 with two multi-strategy, multi-asset managers: AQR – following a quantitative approach and Standard Life implementing fundamental investment strategies. The final allocation to Aptitude Investment Management was invested at the beginning of 2017. Aptitude is a multi-manager fund-of-funds managing ARS investments since 2005 as an independent entity and prior to that as an in-house team managing the assets of the Weyerhaeuser Pension Plan.
Performance

The overall performance of the ARS program over the last four years falls short of the UBC Endowment return objectives. The program returned 2.74% per annum over the last four years to June 2019. The shortfall is attributed to Standard Life and AQR investments. IMANT has taken remedial steps by redeeming from both managers as their investment programs were failing to deliver required returns. IMANT redeemed from Standard Life in May 2017 and from AQR in October 2018. The ARS program is fully invested with a fund-of-fund program managed by Aptitude. This program is performing in line with expectations, delivering an annualized return of 7% since our initial investment in January 2017.

Next Steps

The IMANT Board will review the suitability and the size of the ARS allocation within the UBC Endowment Asset Mix as part of the next asset liability study for the Main Endowment Pool that is scheduled to start in the last quarter of the FY2020 fiscal year.

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