



SUBJECT	UBC Investment Management Trust Portfolio Review Q2
SUBMITTED TO	Finance Committee
MEETING DATE	September 9, 2020
SESSION	Recommended session criteria from Board Meetings Policy:
CLASSIFICATION	OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Peter Smailes, Vice-President Finance & Operations
SUPPORTED BY	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 March 31, 2020 includes:

- a. Market Returns
- b. Results by fund to June 30, 2020 for:
 - I. Endowment Main Pool,
 - II. Sustainable Future Pool,
 - III. Staff Pension Plan,
 - IV. Supplemental Plan, and
 - V. Working Capital Fund.

APPENDICES

1. UBC IMANT Portfolio Review Q2 2020

UBC INVESTMENT MANAGEMENT TRUST (UBC IMANT)



UBC Board of Governors
Portfolio Review Q2 2020

DAWN JIA, PRESIDENT AND CEO
UBC INVESTMENT MANAGEMENT TRUST



INVESTMENT
MANAGEMENT TRUST INC.
The University of British Columbia

MARKET RETURNS C\$ to June 2020

Asset Class	Q2 20	Q1 20	Q4 19	Q3 19	1 Yr	4 Yr	10 Yr
FTSE Canada 91 Day T-Bills	0.1	0.7	0.4	0.4	1.6	1.2	1.0
FTSE Canada Universe Bond	5.9	1.6	-0.9	1.2	7.9	3.9	4.6
FTSE Canada Long Term Bond	11.2	0.2	-1.9	2.5	12.0	6.3	7.4
FTSE Canada Real Return Bond	6.2	0.0	-2.0	1.3	5.5	3.0	4.5
S&P/TSX	17.0	-20.9	3.2	2.5	-2.2	5.6	6.3
S&P 500	15.3	-11.7	6.8	3.0	12.1	13.8	16.9
MSCI EAFE	9.9	-15.3	5.9	0.2	-1.1	6.6	8.4
MSCI World	14.2	-13.3	6.3	1.9	7.2	10.8	12.7
MSCI Emerging	13.0	-16.1	9.5	-3.0	0.7	8.2	5.9
HFRI FOF: Conservative	0.4	1.6	-0.2	1.2	3.1	3.8	5.1
Canadian Price Index (CPI)	0.4	0.1	0.1	-0.1	0.7	1.5	1.7
CAD/USD Change	4.3	-8.4	2.0	-1.0	-3.8	-1.2	-2.5
CAD/EUR Change	1.5	-6.8	-0.8	2.8	-2.6	-1.6	-1.6
CAD/JPY Change	4.9	-8.9	2.6	-0.9	-3.8	0.0	-0.5
CAD/GBP Change	4.7	-2.9	-5.4	2.0	-1.2	0.6	-0.6

Source: Northern Trust

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



Commentary Q2 2020

March ended with global risk assets firmly in the grip of a bear market, with major market indices falling more than 30% in a matter of weeks as volatility surged. Yet the panic was short lived, as easing of COVID-19 lockdowns, early signs of economic recovery, and unprecedented monetary and fiscal stimulus supported a rapid rebound in equity and credit markets during the second quarter.

In equities, US stocks gained nearly 20% in the best quarter since 1998, leaving the S&P 500 just short of all time highs reached in February. These gains have not been shared equally however, with exceptionally strong performance in Technology and Healthcare stocks offsetting continuing pain in industries most affected by social distancing, including Retail, Transportation and Leisure. As a consequence of this divergence, Asian and European markets with a less favourable mix of industries have lagged the recovery in North American equities.

In fixed income, bond yields remained relatively unchanged from record lows in the second quarter. Canada was a marginal outlier in this respect, with 10 year Government bond yields falling further from 0.71% at the end of March to 0.52% in June. Globally, yields are expected to remain effectively at zero, as central banks defer rate increases until an economic recovery is firmly underway. Meanwhile, credit spreads tightened during the quarter, but remain elevated relative to long term averages.

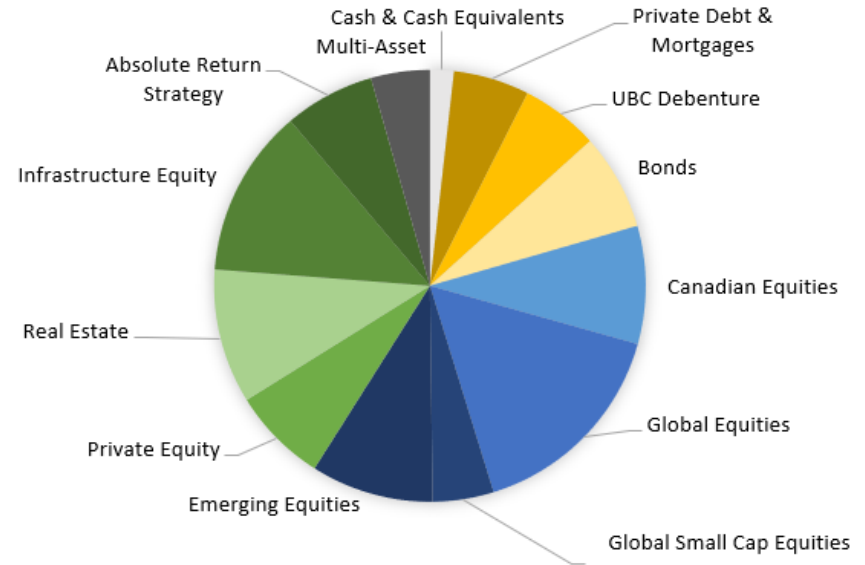
In tandem with the broader recovery in risk assets, the Canadian dollar reversed its first quarter losses, appreciating against most developed currencies, most notably relative to haven currencies such as the Japanese Yen.



ENDOWMENT MAIN POOL

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	1.8%	2.0%
Private Debt & Mortgages	5.7%	5.0%
UBC Debenture	5.8%	5.8%
Bonds	7.2%	7.3%
Total Fixed Income	20.5%	20.0%
Canadian Equities	8.8%	10.0%
Global Equities	15.9%	15.0%
Global Small Cap Equities	4.6%	5.0%
Emerging Equities	9.2%	10.0%
Total Public Equity	38.5%	40.0%
Private Equity	7.2%	10.0%
Real Estate	10.1%	10.0%
Infrastructure Equity	12.6%	12.5%
Absolute Return Strategy	6.8%	7.5%
Total Alternatives	36.7%	40.0%
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): **\$ 1,726**

Investment Performance to June 30th, 2020:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Required Return	1.59%	1.59%	5.34%	6.15%	5.94%
Actual Returns*	3.35%	3.35%	0.82%	6.25%	8.25%
Inv. Policy Benchmark	4.07%	4.07%	4.14%	7.06%	8.24%
Value Added	-0.72%	-0.72%	-3.32%	-0.82%	0.01%

Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Endowment Main Pool	4.72%	4.68%
Inv. Policy Benchmark	4.29%	4.85%

* Net of investment manager fees



ENDOWMENT MAIN POOL

Performance Drivers – Quarter

The UBC Endowment Main Pool portfolio returned 3.35% in Q2 2020, lagging the policy benchmark by 72 bps. Private Equity and Bonds contributed positively to performance, while Global Equities and Multi-Asset lagged.

Performance Drivers – One Year

During the 12 months ended June 2020, the UBC Endowment Main Pool portfolio returned 0.82%, 332 bps below the policy benchmark of 4.14% for the year. Private Equity and Real Estate contributed to performance, while Canadian Equities and Global Equities 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): \$ 34

Investment Performance to June 30th, 2020:

	Qtr	1 Year	2 Year
Actual Returns*	10.04%	9.54%	9.71%
Inv. Policy Benchmark	11.44%	7.77%	7.06%
Value Added	-1.40%	1.77%	2.66%
Endowment Main Pool Actual Returns	3.35%	0.82%	3.12%

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

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

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Fixed Income	26.9%	30.0%
Equities	73.1%	70.0%

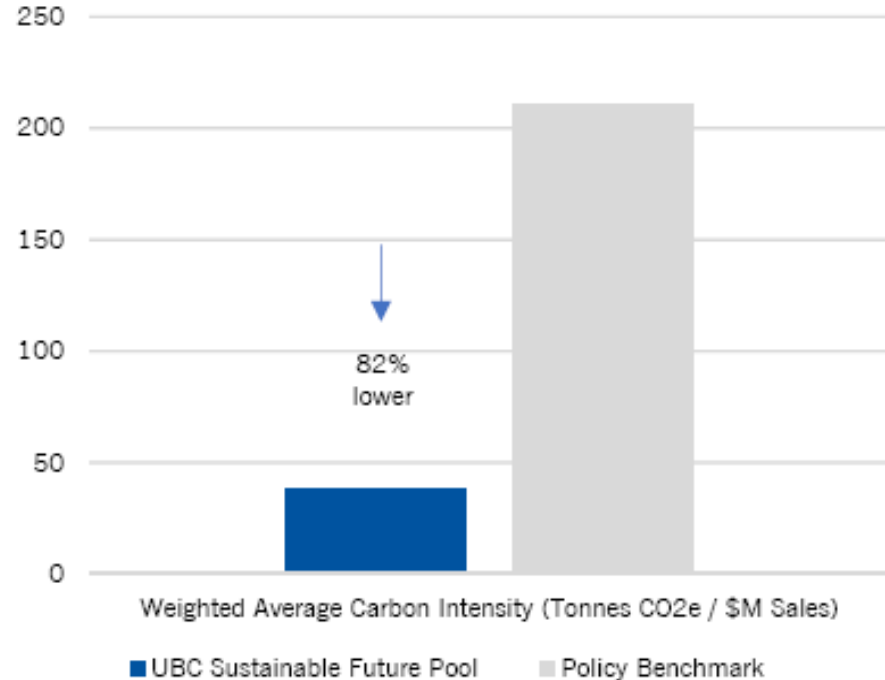
* Net of investment manager fees



SUSTAINABLE FUTURE POOL

Non-Financial Performance

The UBC Sustainable Future Pool is estimated to have reduced portfolio carbon intensity by over 80% compared to 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 37 tonnes of CO₂ equivalent, compared to 208 tonnes of CO₂ equivalent for the benchmark. The Fund's lower emissions profile is achieved by its exclusion of the fossil fuel companies and careful elimination of heavy users of fossil fuels among utility and industrial companies. The remainder is an outcome of Jarislowsky Fraser's approach investing in companies within each of the sectors of the global economy that show lower CO₂ emission intensity than the broad sector and a sizeable allocation to Green Bonds financing the transition to a low-carbon economy.

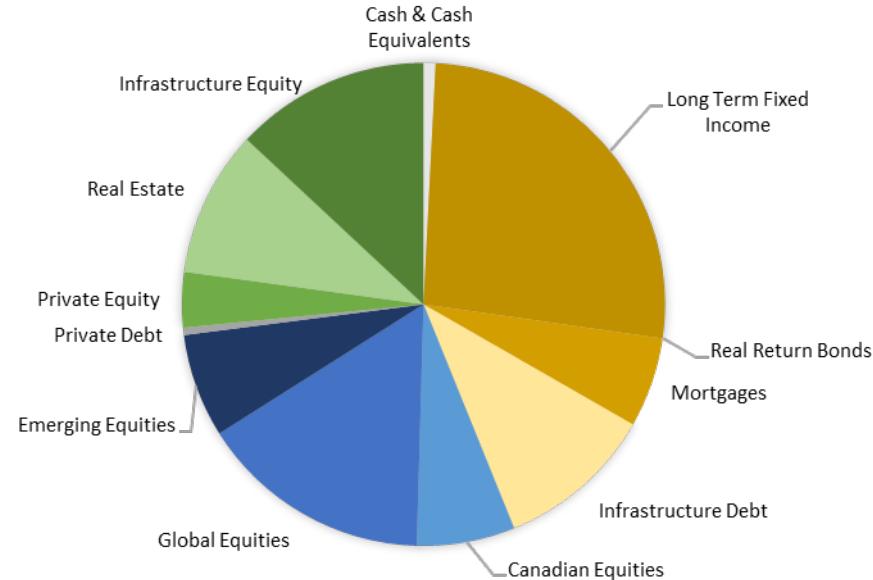




STAFF PENSION PLAN

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	1.0%	1.0%
Long Term Fixed Income	27.2%	19.0%
Real Return Bonds	0.0%	0.0%
Mortgages	5.7%	5.0%
Infrastructure Debt	10.6%	10.0%
Total Fixed Income	44.5%	35.0%
Canadian Equities	6.7%	7.5%
Global Equities	16.1%	15.0%
Emerging Equities	7.2%	7.5%
Total Public Equity	30.0%	30.0%
Private Debt	1.1%	7.5%
Private Equity	3.1%	5.0%
Real Estate	9.1%	10.0%
Infrastructure Equity	12.2%	12.5%
Total Alternatives	25.5%	35.0%





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): \$ 1,996

Investment Performance to June 30th, 2020:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Actual Returns*	6.70%	0.93%	4.10%	6.58%	8.43%
Inv. Policy Benchmark	6.64%	3.45%	6.82%	6.69%	8.15%
Value Added	0.06%	-2.52%	-2.72%	-0.11%	0.28%

Asset/Liability Snapshot

	Dec-16	Dec-17	Dec-18	Dec-19
Funded Ratio	123.5%	126.6%	133.3%	128.1%
Discount Rate	5.75%	5.75%	6.25%	6.00%

Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Staff Pension Plan	5.45%	4.68%
Inv. Policy Benchmark	4.85%	4.66%

* Net of investment manager fees



STAFF PENSION PLAN

Performance Drivers – Quarter

The Staff Pension Plan portfolio returned 6.70% in Q2 2020, surpassing the policy benchmark by 6bps for the quarter. Canadian Equity and Global Equity lagged, while Private Equity and Long Term Fixed Income outperformed their benchmarks.

Performance Drivers – One Year

During the 12 months ended June 2020, the Staff Pension Plan portfolio returned 0.93%, 252 bps below the policy benchmark of 3.45% for the year. Over this longer timeframe, Real Estate and Private Equity contributed slightly to performance, while Canadian Equity and Global Equity continued to detract 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 Arrangement has been invested in a balanced portfolio of passively managed index funds (Canadian Equity, Global Equity, Canadian Bonds and Real Estate)

Market Value (\$M)*: \$106.6

Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns*	10.63%	4.20%	6.34%	7.62%
Inv. Policy Benchmark	10.90%	4.46%	6.50%	7.98%
Value Added	-0.27%	-0.26%	-0.16%	-0.36%
FPP Actual Returns**	9.69%	3.83%		8.43%

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.

* Net of Sun Life administration and investment manager fees

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

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Fixed Income	39.7%	40.0%
Equities	55.4%	50.0%
Real Estate	4.9%	10.0%

Performance drivers:

- Vs. Policy Benchmark: small drag from investment fees as expected from index fund approach



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)*: \$617.8

Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns*	1.79%	3.49%	2.11%	2.73%
Inv. Policy Benchmark	1.83%	4.00%	1.79%	2.37%
Value Added	-0.04%	-0.52%	0.32%	0.36%

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	59.3%	10.0%
Short-Term Bond & Mortgages	0.0%	55.0%
Mortgages	40.7%	35.0%



THE UNIVERSITY OF BRITISH COLUMBIA



INVESTMENT
MANAGEMENT TRUST INC.
The University of British Columbia