



SUBJECT	UBC Investment Management Trust Portfolio Review Q4
SUBMITTED TO	Finance Committee
MEETING DATE	April 7, 2021
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: 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 Yale Loh, Treasurer

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 December 31, 2020 includes:

- a. Market Returns
- b. Results by fund to December 31, 2020 for:
 - I. Endowment Main Pool
 - II. Sustainable Future Pool
 - III. Staff Pension Plan
 - IV. Supplemental Plan
 - V. Working Capital Fund
 - VI. Responsible Investing Update

PRESENTATIONS

1. Portfolio Review Q4

UBC INVESTMENT MANAGEMENT TRUST (UBC IMANT)



UBC Board of Governors
Portfolio Review Q4 2020

DAWN JIA, PRESIDENT AND CEO
UBC INVESTMENT MANAGEMENT TRUST



INVESTMENT
MANAGEMENT TRUST INC.
The University of British Columbia



MARKET RETURNS C\$ to Dec 2020

Asset Class	Q4 20	Q3 20	Q2 20	Q1 20	1 Yr	4 Yr	10 Yr
FTSE Canada 91 Day T-Bills	0.0	0.1	0.1	0.7	0.9	1.1	1.0
FTSE Canada Universe Bond	0.6	0.4	5.9	1.6	8.7	4.8	4.5
FTSE Canada Long Term Bond	0.8	-0.3	11.2	0.2	11.9	7.9	7.0
FTSE Canada Real Return Bond	1.8	4.4	6.2	0.0	13.0	5.3	4.5
S&P/TSX	9.0	4.7	17.0	-20.9	5.6	6.6	5.8
S&P 500	7.0	6.8	15.3	-11.7	16.3	14.6	16.8
MSCI EAFE	10.7	2.8	9.9	-15.3	5.9	7.7	8.2
MSCI World	8.7	5.8	14.2	-13.3	13.9	12.0	12.6
MSCI Emerging	14.2	7.4	13.0	-16.1	16.2	11.8	6.2
HFRI FOF: Conservative	0.9	0.6	0.4	1.6	4.6	2.6	5.5
Canadian Price Index (CPI)	0.4	-0.2	0.4	0.1	0.7	1.7	1.6
CAD/USD Change	4.4	-0.9	0.9	1.8	2.0	1.3	-2.4
CAD/EUR Change	0.0	3.4	-0.1	2.9	-7.0	-2.5	-1.6
CAD/JPY Change	1.9	-0.5	-2.4	3.2	-3.1	-1.8	-0.1
CAD/GBP Change	-1.4	2.3	4.3	-1.6	-1.7	-1.2	-1.1

Source: Northern Trust

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

Commentary Q4 2020

Global markets bookended 2020 with record highs at the start and end of the year. The fourth quarter saw a continuation of risk assets surpassing previous highs on recovery hopes, with November being especially strong thanks to vaccine news.

In equities, Canadian and EAFE stocks led developed markets in Q4, though US equities remain firmly the strongest performer in 2020, rising 18.4% through the year. Emerging market equities enjoyed their strongest quarterly return in over a decade, partially amplified by strengthening local currencies and rising commodity prices.

In fixed income, results were more muted, as rising government bond yields in Canada and the US tempered the effect of compressing credit spreads. Real return bonds were an outlier, with rising inflation expectations continuing to drive prices higher.

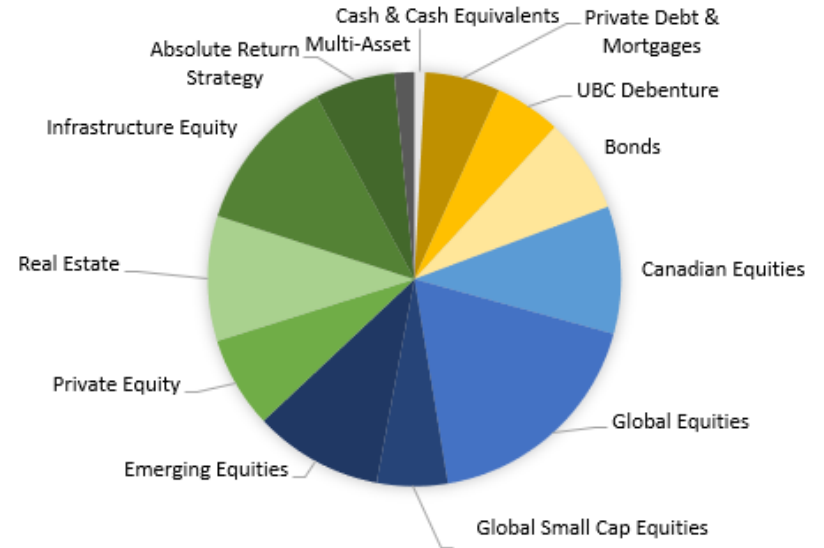
Rising sentiment bolstered the Canadian dollar, which rose sharply against a relatively weaker US dollar. This was partially driven by crude oil prices rallying as a stronger demand outlook offset concerns over increased supply. Industrial metals also gained, driven higher by copper and nickel.



ENDOWMENT MAIN POOL

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	0.8%	2.0%
Private Debt & Mortgages	5.9%	5.0%
UBC Debenture	5.2%	5.5%
Bonds	7.4%	7.5%
Total Fixed Income	19.3%	20.0%
Canadian Equities	9.9%	10.0%
Global Equities	18.1%	15.0%
Global Small Cap Equities	5.5%	5.0%
Emerging Equities	10.1%	10.0%
Total Public Equity	43.7%	40.0%
Private Equity	7.2%	10.0%
Real Estate	9.8%	10.0%
Infrastructure Equity	12.2%	12.5%
Absolute Return Strategy	6.3%	7.5%
Total Alternatives	35.4%	40.0%
Multi-Asset	1.6%	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): **\$ 1,856**

Investment Performance to December 31st, 2020:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Required Return	1.51%	4.07%	5.41%	6.40%	5.85%
Actual Returns*	5.86%	13.06%	5.43%	7.13%	8.32%
Inv. Policy Benchmark	5.33%	14.56%	9.84%	8.21%	8.40%
Value Added	0.53%	-1.51%	-4.41%	-1.08%	-0.08%

Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Endowment Main Pool	5.09%	4.77%
Inv. Policy Benchmark	4.72%	4.89%

* Net of investment manager fees



ENDOWMENT MAIN POOL

Performance Drivers – Quarter

The UBC Endowment Main Pool portfolio returned 5.86% in Q4 2020, surpassing the policy benchmark by 53 bps. Canadian Equity and Global Small Cap Equity contributed positively to performance, while Multi-Asset and Emerging Markets Equity lagged.

Performance Drivers – One Year

During the 12 months ended December 2020, the UBC Endowment Main Pool portfolio returned 5.43%, 441 bps below the policy benchmark of 9.84% for the year. Bonds and Hedge Funds contributed to performance, while Global Equities and Emerging Markets 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): \$ 36

Investment Performance to December 31st, 2020:

	Qtr	1 Year	2 Year
Actual Returns*	6.05%	14.35%	16.38%
Inv. Policy Benchmark	6.17%	12.62%	14.66%
Value Added	-0.11%	1.73%	1.72%
Endowment Main Pool Actual Returns	5.86%	5.43%	8.54%

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	25.6%	30.0%
Equities	74.4%	70.0%

* Net of investment manager fees

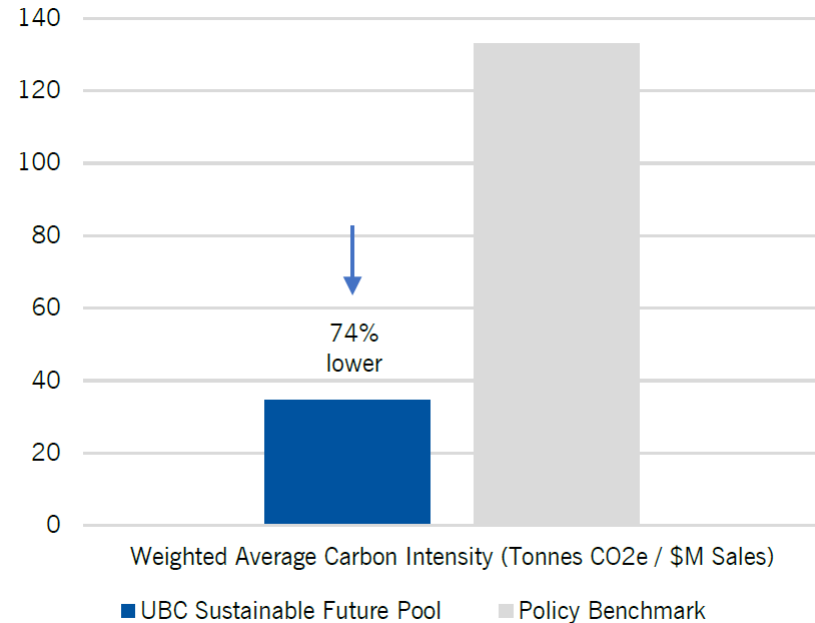


SUSTAINABLE FUTURE POOL

Non-Financial Performance

The UBC Sustainable Future Pool is estimated to have reduced portfolio carbon intensity by over 70% 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 35 tonnes of CO₂ equivalent, compared to 133 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 of 29% to Sustainable Finance and to Green Bonds financing the transition to a low-carbon economy. By contrast, Canadian universe bond index allocates 2% to sustainable finance bonds.

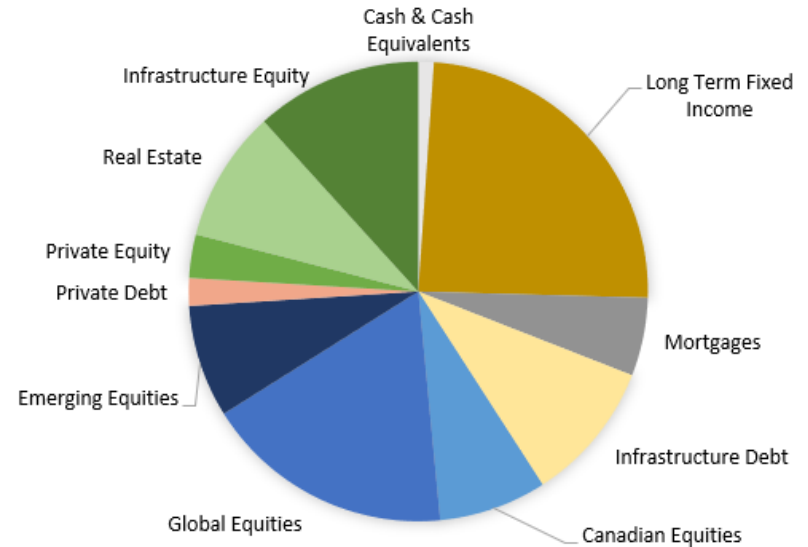




STAFF PENSION PLAN

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	1.1%	1.0%
Long Term Fixed Income	24.3%	19.0%
Real Return Bonds	0.0%	0.0%
Mortgages	5.5%	5.0%
Infrastructure Debt	10.0%	10.0%
Total Fixed Income	40.9%	35.0%
Canadian Equities	7.6%	7.5%
Global Equities	17.6%	15.0%
Emerging Equities	7.9%	7.5%
Total Public Equity	33.1%	30.0%
Private Debt	1.9%	7.5%
Private Equity	3.1%	5.0%
Real Estate	9.3%	10.0%
Infrastructure Equity	11.7%	12.5%
Total Alternatives	26.0%	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): **\$ 2,155**

Investment Performance to December 31st, 2020:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Actual Returns*	4.19%	7.61%	7.61%	7.72%	8.23%
Inv. Policy Benchmark	3.81%	10.63%	10.63%	8.18%	7.98%
Value Added	0.38%	-3.02%	-3.02%	-0.46%	0.24%

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	5.64%	4.76%
Inv. Policy Benchmark	5.04%	4.73%

* Net of investment manager fees



STAFF PENSION PLAN

Performance Drivers – Quarter

The Staff Pension Plan portfolio returned 4.19% in Q4 2020, outperforming the policy benchmark by 38bps for the quarter. Global Equity and Emerging Markets lagged, while Canadian Equity and Infrastructure outperformed their benchmarks.

Performance Drivers – One Year

During the 12 months ended December 2020, the Staff Pension Plan portfolio returned 7.61%, 302 bps below the policy benchmark of 10.63% over the period. Long Term Fixed Income and Real Estate contributed modestly to performance, while Emerging Markets 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)*: \$119.0

Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns*	5.53%	9.22%	7.58%	7.27%
Inv. Policy Benchmark	5.86%	9.89%	7.83%	7.78%
Value Added	-0.33%	-0.67%	-0.25%	-0.51%
FPP Actual Returns**	5.55%	8.25%		8.15%

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	40.3%	40.0%
Equities	54.7%	50.0%
Real Estate	5.0%	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)*: \$854.5

Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns*	0.56%	4.31%	2.58%	2.69%
Inv. Policy Benchmark	0.41%	4.58%	2.20%	2.35%
Value Added	0.15%	-0.27%	0.38%	0.34%

Numbers may not add due to rounding. *Gross 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	45.9%	10.0%
Short-Term Bond & Mortgages	25.9%	55.0%
Mortgages	28.2%	35.0%



RESPONSIBLE INVESTING UPDATE

UBC IMANT continues to progress towards the Responsible Investing goal of reducing GHG in the Endowment portfolio by 45% by 2030. In December, UBC IMANT transitioned \$34 million to a low carbon, fossil-fuel free manager and published the Endowment public equities holdings. In March 2021, UBC IMANT made a \$110 million commitment to a new public equity investment manager who focuses on investing in the opportunities arising from the transition to a more sustainable global economy

Project Categories	Percentage Completion
1. Define the Scope of Responsible Investing	
2. Provide Financial Justification of Divestment	
3. Determine the Optimal Operating Model	
4. Review Governance Structure of On-going Divesting Decision Making	
5. Assess Limitations in Various Asset Classes	
6. Enhance Climate Risk Measurement and Reporting	
7. Investigate Cost Structure of Divesting and Reinvestment Strategies	
8. Establish New Due Diligence Procedures and Criteria for Responsible Investing	
9. Review Responsible Investing Timeline and Sequence	
10. Assess Market Capacity and Manager Capacity for Responsible Investing Strategies	
11. Become a signatory of Responsible Investing Communities	

 Up to December Board Meeting
  Since December Board Meeting



THE UNIVERSITY OF BRITISH COLUMBIA



INVESTMENT
MANAGEMENT TRUST INC.
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