



SUBJECT	UBC Investment Management Trust (IMANT) Quarterly Portfolios Review (Q1)
SUBMITTED TO	Finance Committee
MEETING DATE	June 8, 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 March 31, 2021 includes:

- a. Market Returns
- b. Results by fund to March 31, 2021 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 Q1

UBC INVESTMENT MANAGEMENT TRUST (UBC IMANT)



UBC Board of Governors
Portfolio Review Q1 2021

DAWN JIA, PRESIDENT AND CEO
UBC INVESTMENT MANAGEMENT TRUST



INVESTMENT
MANAGEMENT TRUST INC.
The University of British Columbia

MARKET RETURNS C\$ to Mar 2021

Asset Class	Q1 21	Q4 20	Q3 20	Q2 20	1 Yr	4 Yr	10 Yr
FTSE Canada 91 Day T-Bills	0.0	0.0	0.1	0.1	0.2	1.1	0.9
FTSE Canada Universe Bond	-5.0	0.6	0.4	5.9	1.6	3.2	4.0
FTSE Canada Long Term Bond	-10.7	0.8	-0.3	11.2	-0.2	4.4	6.0
FTSE Canada Real Return Bond	-7.3	1.8	4.4	6.2	4.7	3.6	4.5
S&P/TSX	8.1	9.0	4.7	17.0	44.2	8.0	6.0
S&P 500	4.7	7.0	6.8	15.3	38.1	14.4	16.9
MSCI EAFE	2.1	10.7	2.8	9.9	27.7	6.6	8.3
MSCI World	3.5	8.7	5.8	14.2	36.0	11.3	12.7
MSCI Emerging	0.9	14.2	7.4	13.0	39.9	9.2	6.3
HFRI FOF: Conservative	2.2	0.9	0.6	0.4	5.0	3.0	5.9
Canadian Price Index (CPI)	1.6	0.4	-0.2	0.4	2.2	1.8	1.6
CAD/USD Change	1.4	4.4	-0.9	0.9	13.1	1.3	-2.5
CAD/EUR Change	6.0	0.0	3.4	-0.1	5.3	-1.0	-0.7
CAD/JPY Change	8.9	1.9	-0.5	-2.4	16.7	1.0	0.3
CAD/GBP Change	-0.1	-1.4	2.3	4.3	1.6	-1.1	-1.1

Source: Northern Trust

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



Commentary Q1 2021

Following a strong second half of 2020 for global market returns, fueled by rising investor sentiment and better-than-expected economic growth indicators, the first quarter of 2021 saw further momentum for risk assets. Investors looked past early hiccups in the global vaccine roll out, emboldened by further fiscal spending pledges to support the economy and strong growth expectations for corporate earnings.

Equity markets advanced around the world in Q1, although results were more moderate than what has been experienced in recent quarters. North American equity indexes led performance in developed markets in the quarter, while Emerging Markets underperformed after experiencing its strongest quarterly performance in a decade in Q4. Small cap stocks performed strongly, consistent with the buoyant market risk sentiment.

Meanwhile, Canadian long bonds posted one of their weakest quarters in history, owing to a sharp increase in government yields. Despite central bank efforts to signal that policy rates would not rise soon, tightening economic slack and uncertainty on the inflation outlook has caused investors to price in future expectations for rate increases in longer maturity bonds.

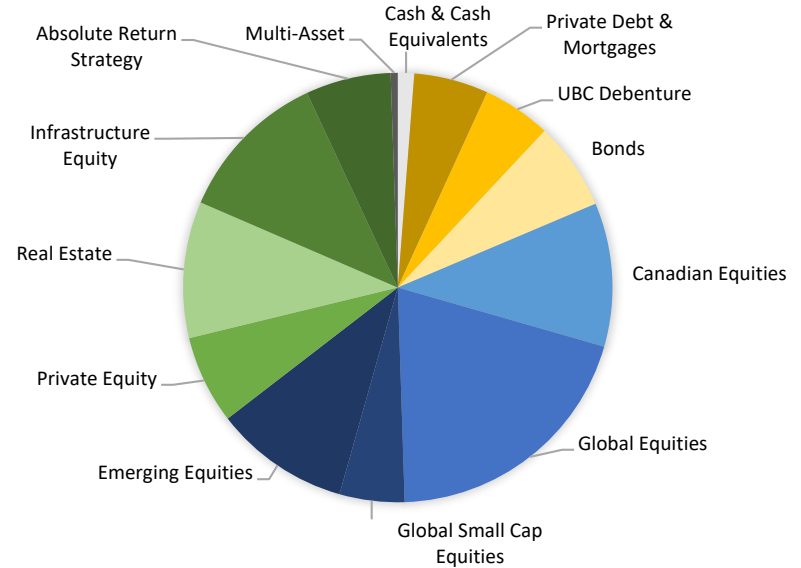
Consistent with the improving investor risk sentiment and strong commodity markets, the Canadian dollar continues to outperform safe haven currencies such as the U.S dollar and Japanese Yen. The strong recovery of the Loonie over the past year has muted returns in global equity funds expressed in Canadian dollar terms, however this relationship is consistent with expectations during periods of strong positive equity returns.



ENDOWMENT MAIN POOL

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	1.2%	2.0%
Private Debt & Mortgages	5.6%	5.0%
UBC Debenture	5.1%	5.3%
Bonds	6.6%	7.8%
Total Fixed Income	18.5%	20.0%
Canadian Equities	10.8%	10.0%
Global Equities	20.0%	15.0%
Global Small Cap Equities	4.9%	5.0%
Emerging Equities	10.2%	10.0%
Total Public Equity	45.9%	40.0%
Private Equity	6.7%	10.0%
Real Estate	10.3%	10.0%
Infrastructure Equity	11.6%	12.5%
Absolute Return Strategy	6.4%	7.5%
Total Alternatives	35.0%	40.0%
Multi-Asset	0.5%	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): **\$ 1,896**

Investment Performance to March 31st, 2021:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Required Return	2.76%	6.94%	6.94%	6.54%	5.85%
Actual Returns*	3.33%	16.82%	16.82%	7.07%	8.26%
Inv. Policy Benchmark	3.53%	18.61%	18.61%	8.31%	8.42%
Value Added	-0.21%	-1.80%	-1.80%	-1.25%	-0.16%

Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Endowment Main Pool	5.05%	4.76%
Inv. Policy Benchmark	4.74%	4.91%

* Net of investment manager fees



ENDOWMENT MAIN POOL

Performance Drivers – Quarter

The UBC Endowment Main Pool portfolio returned 3.33% in Q1 2021, slightly underperforming the policy benchmark return of 3.53%. Positive relative performance was experienced in most portfolio asset classes, led by Hedge Funds and Canadian Equity, however this was offset by underperformance in Private Equity versus the portfolio benchmark.

Performance Drivers – One Year

During the one-year period ended March 31, 2021, the UBC Endowment Main Pool portfolio returned 16.82%, 180bps below the policy benchmark of 18.61% for the year. Bonds and Hedge Funds contributed to performance, while Global Equities, Emerging Markets 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): \$ 36

Investment Performance to March 31st, 2021:

	Qtr	1 Year	2 Year
Actual Returns*	0.77%	22.97%	12.55%
Inv. Policy Benchmark	0.73%	24.09%	10.65%
Value Added	0.04%	-1.12%	1.90%
Endowment Main Pool Actual Returns	3.33%	16.82%	7.45%

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	25.2%	30.0%
Equities	74.8%	70.0%

* Net of investment manager fees

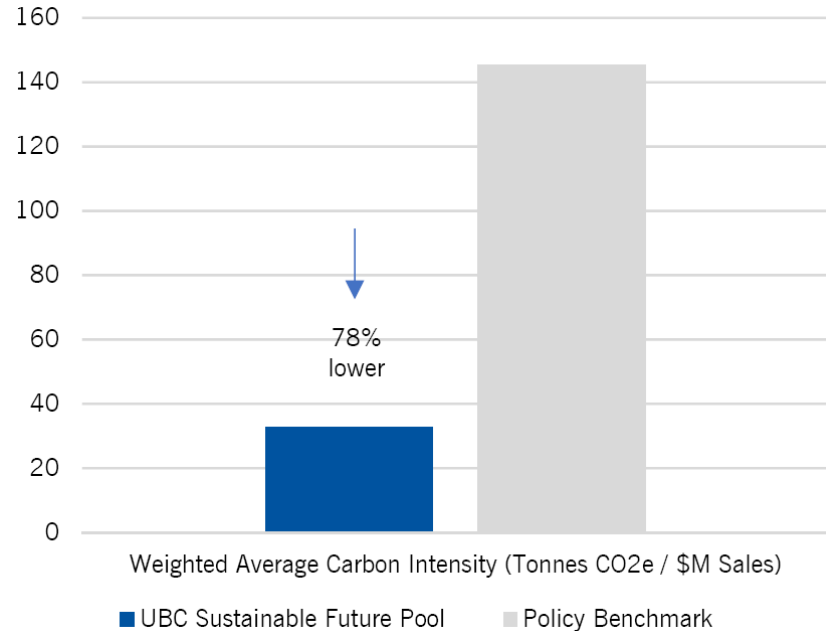


SUSTAINABLE FUTURE POOL

Non-Financial Performance

The UBC Sustainable Future Pool is estimated to have further reduced portfolio carbon intensity to nearly 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 33 tonnes of CO₂ equivalent, compared to 145 tonnes of CO₂ equivalent for the benchmark.

The Fund's lower emissions profile is achieved by its exclusion of the fossil fuel companies and elimination of heavy users of fossil fuels among especially among utility and industrial companies. In other sectors of the global economy the fund seeks to invest in companies with lower CO₂ emission intensity than their peers. Fixed income investments include a sizeable allocation of 28% to Sustainable Finance and to Green Bonds financing the transition to a low-carbon economy.

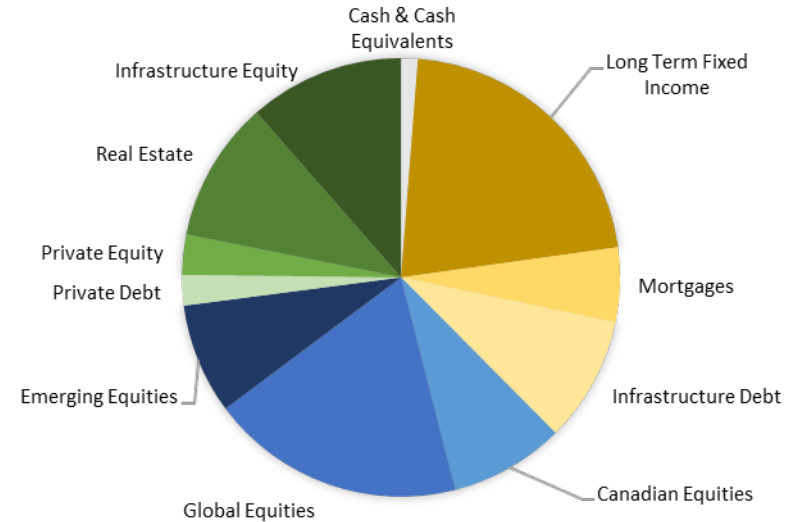




STAFF PENSION PLAN

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	1.2%	1.0%
Long Term Fixed Income	21.6%	19.0%
Mortgages	5.5%	5.0%
Infrastructure Debt	9.3%	10.0%
Total Fixed Income	37.6%	35.0%
Canadian Equities	8.5%	7.5%
Global Equities	18.8%	15.0%
Emerging Equities	8.1%	7.5%
Total Public Equity	35.4%	30.0%
Private Debt	2.2%	7.5%
Private Equity	3.0%	5.0%
Real Estate	10.4%	10.0%
Infrastructure Equity	11.5%	12.5%
Total Alternatives	27.1%	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): **\$ 2,152**

Investment Performance to March 31st, 2021:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Actual Returns*	-0.90%	-0.90%	12.76%	6.74%	7.92%
Inv. Policy Benchmark	-1.02%	-1.02%	12.90%	7.24%	7.63%
Value Added	0.12%	0.12%	-0.14%	-0.51%	0.30%

Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Staff Pension Plan	5.62%	4.78%
Inv. Policy Benchmark	5.07%	4.76%

* Net of investment manager fees. Returns not finalized at time of writing.



STAFF PENSION PLAN

Performance Drivers – Quarter

The Staff Pension Plan portfolio returned -0.90%¹ in Q1 2021, outperforming the policy benchmark by 12bps for the quarter. Outperformance was driven by Canadian Equity, Long Term Fixed Income and Real Estate while the Private Equity portfolio lagged its benchmark.

Performance Drivers – One Year

During the 12 months ended March 31, 2021, the Staff Pension Plan portfolio returned 12.76%¹, 14 bps below the policy benchmark of 12.90% over the period. Global Equity, Emerging Markets and Private Equity accounted for portfolio underperformance, partially offset by outperformance in Long Term Fixed Income, Real Estate and Canadian Equity.

¹ Net of investment manager fees. Returns not finalized at time of writing.



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*	0.72%	21.77%	6.97%	7.17%
Inv. Policy Benchmark	0.57%	22.39%	7.18%	7.59%
Value Added	0.15%	-0.62%	-0.21%	-0.42%
FPP Actual Returns**	1.40%	20.68%		8.06%

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	39.9%	40.0%
Equities	55.0%	50.0%
Real Estate	5.1%	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): \$969.8

Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns*	-0.43%	2.97%	2.37%	2.65%
Inv. Policy Benchmark	-0.50%	2.38%	1.99%	2.33%
Value Added	0.06%	0.59%	0.38%	0.32%

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	14.6%	10.0%
Short-Term Bond & Mortgages	61.1%	55.0%
Mortgages	24.3%	35.0%



RESPONSIBLE INVESTING UPDATE

UBC IMANT continues to progress towards the Responsible Investing goals established in the Responsible Investing Strategy. Key developments since March include the following:

- UBC IMANT has been working with one of its managers to establish a new potential strategy to further reduce emissions and invest more in Paris Agreement aligned companies in the Endowment’s public equity portfolio. UBC IMANT is diligently working to create innovative solutions with our investment managers that are beneficial to both parties.
- UBC IMANT finished drafting its Active Ownership Policy which establishes the approach and guiding principles for due diligence procedures currently being developed.
- PRI reporting was completed in early-May.

Project Categories	Percentage Completion
1. Define the Scope of Responsible Investing	100%
2. Provide Financial Justification of Divestment	100%
3. Determine the Optimal Operating Model	~15%
4. Review Governance Structure of On-going Divesting Decision Making	100%
5. Assess Limitations in Various Asset Classes	~75% (Up to March) + ~10% (Since March)
6. Enhance Climate Risk Measurement and Reporting	~50% (Up to March) + ~10% (Since March)
7. Investigate Cost Structure of Divesting and Reinvestment Strategies	~50% (Up to March) + ~10% (Since March)
8. Establish New Due Diligence Procedures and Criteria for Responsible Investing	~30% (Up to March)
9. Review Responsible Investing Timeline and Sequence	~95% (Up to March) + ~5% (Since March)
10. Assess Market Capacity and Manager Capacity for Responsible Investing Strategies	~50% (Up to March) + ~30% (Since March)
11. Become a signatory of Responsible Investing Communities	~75% (Up to March) + ~10% (Since March)





THE UNIVERSITY OF BRITISH COLUMBIA



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