



SUBJECT	UBC Investment Management Trust Q2 Portfolio Review
SUBMITTED TO	Finance Committee
MEETING DATE	September 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 Lisa Pankratz, Chair, 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 June 30, 2021 includes:

- a. Market Returns
- b. Results by fund to June 30, 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 Q2

UBC INVESTMENT MANAGEMENT TRUST (UBC IMANT)



UBC Board of Governors
Portfolio Review Q2 2021

DAWN JIA, PRESIDENT AND CEO
UBC INVESTMENT MANAGEMENT TRUST



INVESTMENT
MANAGEMENT TRUST INC.
The University of British Columbia

MARKET RETURNS C\$ to June 2021

Asset Class	Q2 21	Q1 21	Q4 20	Q3 20	1 Yr	4 Yr	10 Yr
FTSE Canada 91 Day T-Bills	0.0	0.0	0.0	0.1	0.1	1.1	0.9
FTSE Canada Universe Bond	1.7	-5.0	0.6	0.4	-2.4	3.3	3.9
FTSE Canada Long Term Bond	3.7	-10.7	0.8	-0.3	-6.9	4.3	6.0
FTSE Canada Real Return Bond	3.5	-7.3	1.8	4.4	2.1	4.2	4.5
S&P/TSX	8.5	8.1	9.0	4.7	33.9	10.7	7.4
S&P 500	6.9	4.7	7.0	6.8	28.0	16.2	17.7
MSCI EAFE	3.6	2.1	10.7	2.8	20.3	6.6	8.6
MSCI World	6.2	3.5	8.7	5.8	26.4	12.7	13.4
MSCI Emerging	3.5	0.9	14.2	7.4	28.1	9.2	6.9
HFRI FOF: Conservative	0.5	2.3	0.9	0.6	4.4	3.7	6.1
Canadian Price Index (CPI)	1.3	1.6	0.4	-0.2	3.1	2.0	1.7
CAD/USD Change	1.4	1.4	4.4	1.9	9.6	1.2	-2.5
CAD/EUR Change	0.6	6.0	0.0	-2.3	3.9	0.2	-0.5
CAD/JPY Change	1.7	8.9	1.9	-0.1	13.1	0.9	0.6
CAD/GBP Change	1.4	-0.1	-1.4	-1.4	-1.0	-0.4	-1.0

Source: Northern Trust

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

Commentary Q2 2021



The recovery in global economic growth broadened in the second quarter, supported by accelerating vaccination rates across North America and Europe and the ongoing easing of COVID-19 restrictions. Extraordinary fiscal and monetary policy support continue to provide significant fuel to developed economies and have supported a rapid recovery in corporate earnings.

The easing of restrictions in developed markets, along with strong corporate fundamentals, continues to support a healthy investor sentiment for risk assets. Global equity indices have generated robust returns over the past twelve months, with the MSCI World index up over 25% in Canadian dollar terms. Emerging Markets have been more subdued through the first half of 2021, reflecting lower vaccination rates and the need for additional COVID-19-related lock-downs which have hindered the economic recovery.

In fixed income markets, government bond yields in North America turned lower in Q2 following the strong rise in market interest rates in Q1 fueled by rising inflation and concern that accommodative central bank policy programs would be withdrawn earlier than previously anticipated. Central banks have continued to communicate to investors that policy rates will remain low for some time despite elevated inflation figures, leading to a moderate decline in market interest rates and positive bond market returns over the quarter.

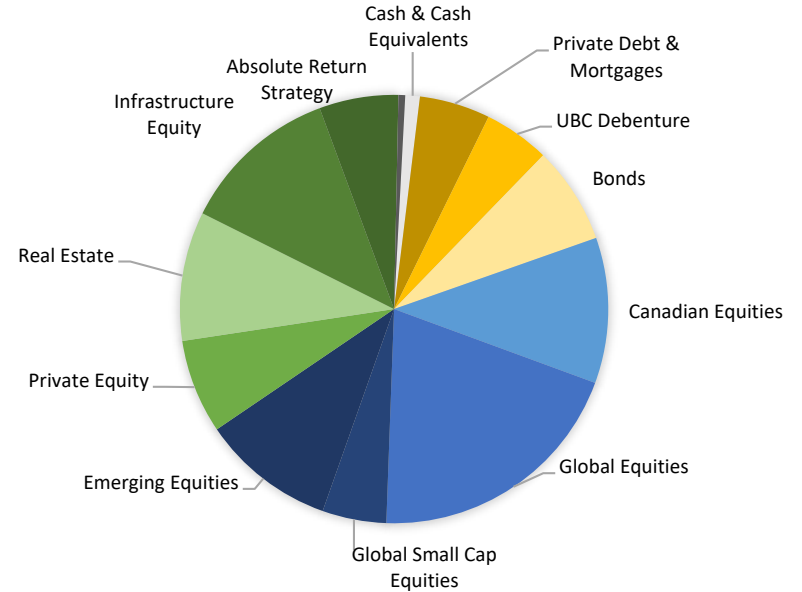
The Canadian dollar continued to outperform most major currencies through the first half of 2021, although the pace of appreciation has slowed as CAD has rebounded to pre-pandemic levels. The Loonie has risen by nearly 10% versus the US dollar over the past twelve months, muting returns in global equity funds expressed in Canadian dollar terms.

ENDOWMENT MAIN POOL



Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	1.1%	2.0%
Private Debt & Mortgages	5.3%	5.0%
UBC Debenture	5.0%	5.3%
Bonds	7.4%	7.8%
Total Fixed Income	18.8%	20.0%
Canadian Equities	11.0%	10.0%
Global Equities	20.0%	15.0%
Global Small Cap Equities	4.8%	5.0%
Emerging Equities	10.1%	10.0%
Total Public Equity	45.9%	40.0%
Private Equity	7.1%	10.0%
Real Estate	9.8%	10.0%
Infrastructure Equity	12.0%	12.5%
Absolute Return Strategy	6.0%	7.5%
Total Alternatives	34.8%	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): \$ 1,990

Investment Performance to June 30, 2021:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Required Return	2.44%	2.44%	7.84%	6.78%	5.97%
Actual Returns*	4.57%	4.57%	18.26%	8.02%	8.63%
Inv. Policy Benchmark	3.40%	3.40%	17.85%	8.89%	8.76%
Value Added	1.17%	1.17%	0.41%	-0.87%	-0.13%

Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Endowment Main Pool	5.03%	4.77%
Inv. Policy Benchmark	4.62%	4.88%

* Net of investment manager fees

ENDOWMENT MAIN POOL



Performance Drivers – Quarter

The UBC Endowment Main Pool portfolio returned 4.57% in Q2 2021, outperforming the policy benchmark return of 3.40%. Positive relative performance was experienced primarily in private asset classes, led by Private Equity, Infrastructure and Real Estate. This was offset slightly by weaker performance in Global and Canadian Equities.

Performance Drivers – One Year

During the one-year period ended June 30, 2021, the UBC Endowment Main Pool portfolio returned 18.26%, 41bps ahead of the policy benchmark return of 17.85% for the year. Canadian Equities, Small Cap Equities 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 June 30, 2021:

	Qtr	1 Year	2 Year
Actual Returns*	4.54%	16.83%	13.12%
Inv. Policy Benchmark	4.84%	16.75%	12.17%
Value Added	-0.31%	0.08%	0.96%
Endowment Main Pool Actual Returns	4.50%	18.19%	9.16%

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	26.1%	30.0%
Equities	73.9%	70.0%

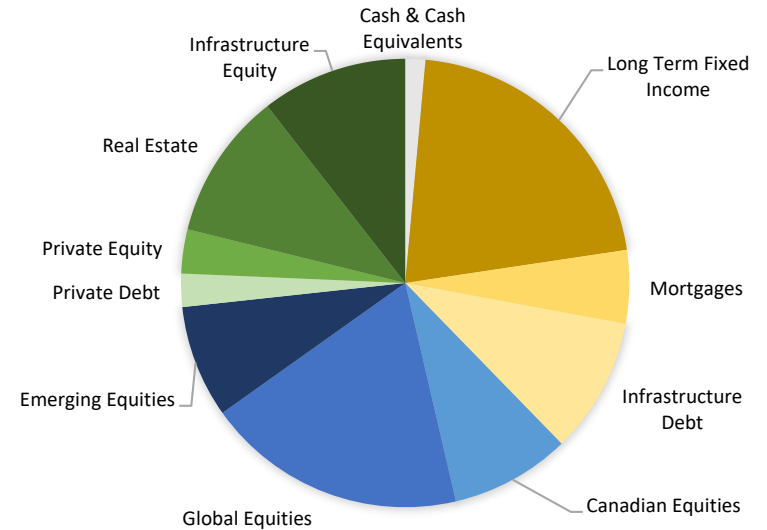
* Net of investment manager fees



STAFF PENSION PLAN

Asset Mix Summary:

Asset Class	Current Mix	Policy Mix
Cash & Cash Equivalents	1.5%	1.0%
Long Term Fixed Income	21.2%	19.0%
Mortgages	5.3%	5.0%
Infrastructure Debt	9.8%	10.0%
Total Fixed Income	37.7%	35.0%
Canadian Equities	8.7%	7.5%
Global Equities	18.8%	15.0%
Emerging Equities	8.1%	7.5%
Total Public Equity	35.6%	30.0%
Private Debt	2.4%	7.5%
Private Equity	3.2%	5.0%
Real Estate	10.6%	10.0%
Infrastructure Equity	10.5%	12.5%
Total Alternatives	26.7%	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): \$ 2,253

Investment Performance to June 30th, 2021:

	Qtr	Fiscal YTD	1 Year	4 Years	10 Years
Actual Returns*	4.33%	3.23%	10.06%	7.25%	8.21%
Inv. Policy Benchmark	3.63%	2.54%	9.64%	7.63%	7.91%
Value Added	0.71%	0.69%	0.42%	-0.37%	0.30%

Volatility (Annualized Standard Deviation):

	4 Years	10 Years
Staff Pension Plan	5.59%	4.80%
Inv. Policy Benchmark	4.98%	4.75%

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

STAFF PENSION PLAN



Performance Drivers – Quarter

The Staff Pension Plan portfolio returned 4.33%¹ in Q2 2021, outperforming the policy benchmark by 71 bps for the quarter. Outperformance was driven by Private Equity, Infrastructure and Real Estate while the Canadian and Global Equities lagged their benchmarks.

Performance Drivers – One Year

During the 12 months ended June 30, 2021, the Staff Pension Plan portfolio returned 10.06%¹, 42 bps ahead of the policy benchmark of 9.64% over the period. Canadian Equity, Real Estate and Long Term Fixed Income drove portfolio outperformance, partially offset by underperformance in Private Equity, Global Equity and Emerging Markets.

¹ Net of investment manager fees. .

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)*: \$121.4

Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns*	4.80%	15.35%	8.05%	7.73%
Inv. Policy Benchmark	4.94%	15.81%	8.28%	8.11%
Value Added	-0.14%	-0.46%	-0.23%	-0.38%
FPP Actual Returns**	4.24%	14.69%		8.40%

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	40.1%	40.0%
Equities	54.8%	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)*: \$843.5

Investment Performance:

	Qtr	1 Year	4 Years	10 Years
Actual Returns*	0.40%	1.56%	2.55%	2.47%
Inv. Policy Benchmark	0.06%	0.60%	2.14%	2.13%
Value Added	0.34%	0.96%	0.42%	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	9.7%	10.0%
Short-Term Bond & Mortgages	62.1%	55.0%
Mortgages	28.2%	35.0%

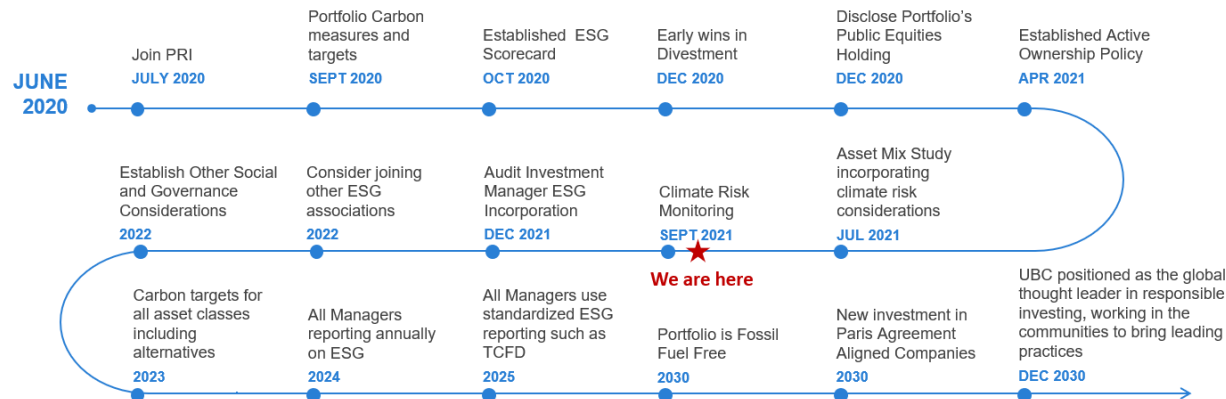
RESPONSIBLE INVESTING UPDATE



UBC IMANT's progress towards the Responsible Investing goals established in the Responsible Investing Strategy are summarized below. Key developments since the June Board of Governors meeting include the following:

- UBC IMANT released the first Carbon Footprint Report for the UBC Endowment. The report establishes a baseline for evaluating progress toward the carbon reduction goal of reducing the Endowment's carbon footprint by 45%.
- On behalf of the UBC Endowment, UBC IMANT has committed \$85 million to seed a Paris Aligned reduced carbon global equity fund with one of its managers, representing approximately 5% of the UBC Endowment Fund. The investment reduces carbon intensity by 70% relative to a traditional cap weighted benchmark and establishes an annual carbon reduction glide path needed to achieve the 1.5° Paris Agreement target by 2050.
- UBC IMANT partnered with a global leader in climate risk modelling to conduct a climate risk analysis on the UBC Endowment Fund's investments in July as part of the asset mix review. Insights from the review were used in the determination of a recommended Strategic Asset Allocation for the Fund.

Responsible Investing Roadmap





THE UNIVERSITY OF BRITISH COLUMBIA



INVESTMENT
MANAGEMENT TRUST INC.
The University of British Columbia