



SUBJECT	Main Endowment Pool Statement of Investment Policy Recommendation
SUBMITTED TO	Finance Committee
MEETING DATE	February 17, 2022
SESSION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	<p>APPROVAL REQUESTED</p> <p>IT IS HEREBY RESOLVED that, with authority delegated by the Board of Governors, the Finance Committee approves as circulated proposed revisions to the Main Endowment Pool Statement of Investment Policy, effective March 1, 2022.</p>
LEAD EXECUTIVE	Peter Smailes, Vice-President Finance & Operations
SUPPORTED BY	<p>Hubert Lai, Q.C., University Counsel</p> <p>Yale Loh, Treasurer</p> <p>Lisa Pankratz, Chair, UBC IMANT Board</p> <p>Dawn Jia, President and CEO, UBC IMANT</p> <p>Graham Sheppard, UBC IMANT</p>

PRIOR SUBMISSIONS

The subject matter of this submission was most recently considered on:

1. [November 19, 2021](#) (OPEN SESSION) – Endowment Asset Mix Review – Reference Portfolio and Spend Rate Recommendation

The following Executive Summary provides a status update from the date of the most recent submission.

EXECUTIVE SUMMARY

In accordance with the requirements under the Main Endowment Pool (MEP) Statement of Investment Policies and Procedures (SIPP) and Endowment Policy (FM5), UBC IMANT, together with the Office of University Counsel, has performed a review of the MEP SIPP. The UBC IMANT Board recommends that the Board of Governors Finance Committee approve the revised Statement of Investment Policy (revised SIP) as set out in Appendix 1, with an effective date of March 1, 2022.

The revised SIP is a key governance document in the management of the MEP. A summary of the key policies or governance documents of the MEP are as follows:

Key Policy or Governance Document	Description
UBC Endowment Policy (FM5)	Overarching Policy governing the management and spend of all University endowments
MEP Statement of Investment Policy	Defines: <ol style="list-style-type: none"> i) the governance structure for the MEP investment decision making; ii) the principles, guidelines and risk tolerance to manage the assets of the MEP; and iii) delegated authority to UBC IMANT as well as monitoring and reporting requirements.
UBC Responsible Investing Policy	Defines UBC's responsible investing beliefs, approach and framework, including the University's commitment to incorporate environmental, social and governance factors into the management of the MEP ¹

¹ The UBC Responsible Investment Policy is currently under review and an updated Policy will be brought forward at a future meeting for approval.

The revised SIP incorporates changes that are aligned with UBC IMANT’s new investment framework, approved by the Board of Governors at the December 6, 2021 Board of Governors meeting. Specifically, the revised SIP reflects the MEP’s shift to a reference portfolio investment approach, introduced to facilitate the MEP’s investment decision-making process.

In alignment with the governance changes associated with the new investment framework, the revised SIP has been simplified through (i) removal of operational and implementation procedures and investment beliefs statements; and (ii) removal of detailed investment constraints that are contained in Investment Programs overseen and approved by the UBC IMANT Board of Directors. The revised SIP outlines the Board of Governors delegation to the UBC IMANT Board to (i) approve a Strategic Portfolio; and (ii) approve investment beliefs and Investment Programs that guide UBC IMANT’s implementation of the Strategic Portfolio. The investment beliefs, Strategic Portfolio, and Investment Programs are designed to work together, in conjunction with the SIP, to clarify responsibilities and investment implementation accountability, as well as investment principles. For the Committee’s information, the MEP Strategic Portfolio is provided as Appendix 4 and a draft of UBC IMANT’s investment beliefs is provided as Appendix 5.

The revised SIP also specifies the Reference Portfolio composition (Section 4) approved by the Board of Governors at the December 6, 2021 meeting. The Reference Portfolio represents the University’s risk tolerance to achieve the Return Objective expected to support the MEP’s Sustainable Spending Rate Range.

UBC IMANT believes that the new investment framework approved by the Board of Governors, and reflected in the revised SIP, will provide a more straightforward approach for the Board of Governors to align the University’s risk tolerance to an investable market portfolio expected to achieve the MEP’s financial objectives and increase the ability to monitor the incremental risk taken by UBC IMANT in the pursuit of excess investment returns.

Due to the substantial changes made to the revised SIP, a blackline comparison between the revised SIP and the previous SIPP is believed to be less informative than providing the full previous SIPP for the Committee’s review and comparison. The previous SIPP has been included as Appendix 2 to this memo. A blackline comparison between the revised SIP and the draft submitted to the Board of Governors November and December 2021 meetings has also been provided as Appendix 3.

Conclusion

The revised SIP has been substantially revised to reflect the new investment framework for the MEP that was approved by the Board of Governors on December 6, 2021. The revised SIP will be reviewed by UBC IMANT on an annual basis, with any future changes requiring the approval of the Finance Committee.

APPENDICES

1. UBC Endowment Statement of Investment Policy (March 1, 2022)
2. UBC Main Endowment Pool Statement of Investment Policies and Procedures (April 1, 2019)
3. UBC Endowment Statement of Investment Policy (Blackline) (March 1, 2022)
4. Main Endowment Pool Strategic Portfolio (Approved by UBC IMANT Board of Directors)
5. UBC IMANT Investment Beliefs (Draft) (December 2021)

University of British Columbia (UBC)

Main Endowment Pool

Statement of Investment Policy

March 1, 2022

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1. Purpose

- 1.1. The University of British Columbia (the “**UBC**”) has established the Main Endowment Pool (the “**Pool**”) as one pool of funds within UBC’s endowment (the “**Endowment**”) to support specific aspects of UBC’s charitable activities in perpetuity.
- 1.2. This document constitutes the Statement of Investment Policy (the “**Policy**”) applicable to the assets that make up the Pool.
- 1.3. The purpose of this Policy is to define the governance structure for the Pool and formulate the principles and guidelines to manage the Pool’s assets in accordance with the University Act of British Columbia (the “**Act**”), the Income Tax Act (*Canada*) (the “**ITA**”), all amended from time to time, and with any restrictions imposed by the Government of Canada and Province of British Columbia. This Policy is supplementary to the Act and the ITA.
- 1.4. UBC’s Board of Governors (the “**Board of Governors**”) has approved the Endowment Policy (the “**Endowment Policy**”), which sets out UBC’s policies and procedures for managing endowed funds held by UBC.
- 1.5. In accordance with the Endowment Policy, UBC has engaged UBC Investment Management Trust Inc. (“**UBC IMANT**”) to provide investment management services in connection with the Pool under an Investment Management Services Agreement dated effective January 1, 2012 as amended and restated effective April 1, 2022 (the “**Investment Management Services Agreement**”). The Board of Governors has from time to time approved Statements of Investment Policies and Procedures which were predecessors to the Policy, and those predecessors were prepared based on an approach to governance which included the Board of Governors approval of strategic asset allocation and benchmarks for the investment of the Pool.
- 1.6. In 2021, the Board of Governors approved a shift in governance approach for the Pool, which resulted in an amendment to the Investment Management Services Agreement and this Policy. As a result of this shift, the Board of Governors approves a reference portfolio (described further in Section 4) and, through the Investment Management Services Agreement, UBC IMANT provides services that include design and implementation, under the oversight of UBC IMANT’s Board of Directors (the “**UBC IMANT Board**”), of a strategic portfolio (described further in Section 5) in accordance with a strategic asset allocation developed by UBC IMANT for the Pool within the parameters of the Reference Portfolio (defined below) and other requirements of this Policy.

2. Pool Overview

- 2.1. The Pool consists largely of endowed trust funds, which stipulate that the contribution(s) for each fund not be spent. The Pool is the result of philanthropy since 1915 where donors have provided resources to support specific aspects of UBC’s charitable activities in perpetuity. Donated amounts have been augmented through other programs, including provincial fund matching, and endowing the proceeds from part of the prepaid leasing of residential lands. In summary, the primary sources of cash to the Pool are:
 - (a) donated funds in cash or kind;
 - (b) provincial fund matching;

- (c) leasing revenues from real property; and
 - (d) investment returns.
 - 2.2. Investment returns are an important funding source and help to maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by UBC. Endowment funds have an indefinite liability stream, with expectations that the stated activities supported by each endowment fund within the Pool will benefit in perpetuity. Maintaining the purchasing power of the Pool's capital against inflation is essential to protect the purchasing power of the funds within the Pool in perpetuity.
 - 2.3. UBC's objective in investing the Pool is to receive investment returns at an appropriate level of risk to:
 - (a) honour the wishes of the donors of endowed funds;
 - (b) provide cash flows and capital appreciation that are sufficient to support the Pool's spending objectives; and
 - (c) maintain intergenerational equity by preserving the capital and purchasing power of each endowment fund within the Pool to provide the same level of support in perpetuity.
 - 2.4. The Pool shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including external investment managers ("**Managers**"), to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess.
- 3. Return Objective and Long-Term Sustainable Spending Rate Range**
- 3.1. The Pool has an expected, ten-year target nominal return objective of 5.2% (the "**Return Objective**") determined by the asset mix study carried out in 2021.
 - 3.2. The Return Objective is expected to support an annual spending rate between 3.5% to 4% over a term of 15 years, adjusted for inflation and operating costs (the "**Long-Term Sustainable Spending Rate Range**").
 - 3.3. The Return Objective and the Long-Term Sustainable Spending Rate Range reflect the surplus/deficit position, at the time of the most recent Asset Mix study, as measured by the Aggregate Stabilization Ratio (as defined in the UBC Endowment Management Policy).
- 4. Reference Portfolio and Risk Tolerance**
- 4.1. To define a risk tolerance, a reference portfolio approach has been adopted by UBC. The reference portfolio represents a simple, low cost, passive portfolio that is designed to reflect the Pool's long term Return Objective and risk preferences. UBC's risk preferences were incorporated into the reference portfolio design by evaluating different combinations of passive portfolios and the resulting probability of maintaining the Long-Term Sustainable Spending Rate Range.
 - 4.2. A reference portfolio represents the amount of investment risk that UBC, as the governing fiduciary, is willing to bear in the pursuit of investment returns to achieve its spending objectives in a way that preserves intergenerational equity. The purpose of the Reference Portfolio is to:

- (a) express the Board of Governors’ risk tolerance, by the composition of the Reference Portfolio, and be the primary indicator of the risk and return profile for the Pool;
- (b) provide a set of broad public market investments that reflects the investment returns that can be generated by passive investments in global capital markets;
- (c) establish an investable program that can achieve a return within UBC’s Long-Term Sustainable Spending Rate Range with limited oversight and no active management; and
- (d) establish a market-based benchmark that can be used to determine the efficacy and success of active management.

4.3. The Board of Governors approve the following as the Reference Portfolio for the Pool:

Asset Class	Weight	Benchmark
Equities	70%	MSCI All Country World Total Return Index (net)
Fixed Income	30%	FTSE Canada All Universe Bond Total Return Index

(the “**Reference Portfolio**”).

- 4.4. The Reference Portfolio is expected to achieve returns within the Long-Term Sustainable Spending Rate Range. Over shorter periods of time, it is understood that returns may deviate from the return expectation over 15 years as set out in the Long-Term Sustainable Spending Rate Range. Monitoring the expected future return of the Reference Portfolio, on an annual basis, will assist UBC in identifying threats to its Long-Term Sustainable Spending Rate Range.
- 4.5. By design, the Reference Portfolio is not engaged in active investment management decisions and is expected to be revised less frequently than the Strategic Portfolio.

5. Strategic Portfolio and Investment Programs

- 5.1. The Board of Governors has entered into the Investment Management Services Agreement, with UBC IMANT, under which UBC IMANT is required to prepare and establish the following:
 - (a) a strategic asset allocation (the “**Strategic Portfolio**”), which is constructed as a diversified portfolio of multiple asset classes that is expected to exceed the risk adjusted return of the Reference Portfolio by embedding greater investment complexity and active management; and
 - (b) investment programs (each an “**Investment Program**”) for investments in asset classes with similar risk profiles as the Strategic Portfolio.
- 5.2. The Strategic Portfolio must be:
 - (a) a diversified, multi-asset class portfolio,
 - (b) used to guide UBC IMANT’s implementation program; and
 - (c) exhibit a level of risk that is similar to the Reference Portfolio.

- 5.3. Asset class allocations within an Investment Program are fungible. Government bonds and Cash are excluded from the minimum portfolio weight requirements within the Strategic Portfolio as they are held primarily for liquidity management purposes.

6. Governance

- 6.1. The Board of Governors is responsible for:

- (a) reviewing UBC IMANT reports that include:
 - (i) the performance of the Pool against the Return Objective;
 - (ii) whether the risk profile is in-line with the Reference Portfolio;
 - (iii) actual portfolio weights as compared to the Strategic Portfolio; and
 - (iv) any changes to the Strategic Portfolio since the last report;
- (b) appointing and removing each director on the UBC IMANT Board (each a “**Director**”); and
- (c) approving this Policy and any changes to this Policy, which includes approving the following:
 - (i) the Reference Portfolio which represents the amount of investment risk that UBC, as the governing fiduciary, is willing to bear in the pursuit of investment returns;
 - (ii) the Return Objective; and
 - (iii) the Long-Term Sustainable Spending Rate Range.

- 6.2. The UBC IMANT Board is responsible for:

- (a) overseeing and monitoring the activities of the UBC IMANT President & CEO and management (“**Management**” and collectively the “**UBC IMANT Staff**”);
- (b) approving investment beliefs to guide UBC IMANT Staff in the development of the implementation strategy;
- (c) reviewing the Policy, at least annually, and recommending amendments, if any, for approval by the Board of Governors;
- (d) appointing UBC IMANT’s President and CEO;
- (e) recommending a Reference Portfolio to the Board of Governors;
- (f) approval of the Strategic Portfolio;
- (g) approval of Investment Programs, including but not limited to ranges, risk parameters and constraints;
- (h) approving the appointment and/or termination of the custodian of the Pool’s assets (the “**Custodian**”);
- (i) approving key service providers such as an asset mix consultant;
- (j) establishing appropriate compensation programs, including performance evaluation, for UBC IMANT Staff; and

- (k) monitoring and evaluating investment performance and operational cost-efficiency against objectives and benchmarks.

6.3. UBC IMANT's President and CEO, with the support from Management, is responsible for:

- (a) developing and recommending a Strategic Portfolio and a Reference Portfolio to the UBC IMANT Board;
- (b) implementing the Strategic Portfolio;
- (c) designing and recommending the Investment Programs specifying investment objectives and operating parameters for distinct asset classes to the UBC IMANT Board;
- (d) actively monitoring risk-adjusted performance of the Strategic Portfolio against the relevant benchmarks and reporting on this performance to the UBC IMANT Board and Board of Governors on a regular basis;
- (e) actively managing the Strategic Portfolio to deliver superior risk-adjusted returns;
- (f) appointing, monitoring and, when appropriate, terminating external investment managers and other external advisors, consultants, and service providers within delegated authorities established by UBC IMANT Board;
- (g) developing and implementing a responsible investment approach and embedding environment, social, and governance factors into its investment processes;
- (h) ensuring efficient and cost-effective day-to-day operations;
- (i) recruitment, and development of Management to support UBC IMANT's mission and vision; and
- (j) regular reporting to the UBC IMANT Board, the UBC Board of Governors, and other UBC stakeholders.

7. Permitted Investments, Financing and Securities Lending

7.1. The Pool may be invested in any or all of the following asset categories:

- (a) **Cash:** Investments in cash such as deposits with financial institutions, treasury bills, commercial paper, banker's acceptances, and money market securities.
- (b) **Commodities:** Investments in commodity assets such as energy, industrial metals, precious metals, agriculture, livestock, and investments with commodity attributes such as carbon credits.
- (c) **Derivatives:** Investments in derivatives such as futures and forward contracts, options, warrants, swaps, and repurchase agreements. Derivatives may be used for hedging, risk management and portfolio rebalancing, including the hedging of foreign currency exposure. Derivatives may also be used for leverage or as a cost-effective substitute for traditional investments.
- (d) **Equity:** Investments in private and public equities through common shares, income trusts, investment trusts, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), and Preferred Shares.

- (e) **Fixed Income:** Investments in public fixed income assets such as bonds, debentures, notes, asset-backed securities, and term deposits or similar instruments with financial institutions. Investments in non-publicly traded fixed income assets such as senior and subordinated loans, mortgages, structured credit instruments, and investments in credit attributes such as royalties, insurance, and litigation finance.
 - (f) **Real Assets:** Investments in publicly and non-publicly traded real estate and infrastructure assets.
 - (g) **Investment Vehicles:** Pool investments are made indirectly or synthetically through exchange traded funds (ETFs), pooled funds, trusts, limited partnerships, mutual funds, derivatives, segregated funds or other investment vehicles.
- 7.2. **Borrowing:** Borrowing or providing guarantees on behalf of the Pool is permitted.
 - 7.3. **Pledging:** UBC IMANT may pledge, charge, or otherwise grant a security interest in assets or post margin as required to complete derivatives transactions, complete a short sale or in connection with repurchase transactions. All pledging to be done on a non-recourse basis to UBC.
 - 7.4. **Leverage:** The Pool is permitted to invest up to 10% of its value in assets purchased through borrowing and/or by creating synthetic exposures to existing asset classes. All such forms of leverage may not result in additional debt accruing to UBC.
 - 7.5. **Securities Lending:** Lending securities is permitted provided that a sufficient collateral coverage is always maintained in cash or high-quality, liquid securities in accordance with industry standards.

8. Risk Management and Oversight

- 8.1. UBC IMANT will compare the risk level of the Strategic Portfolio against the Reference Portfolio periodically to confirm the modelled risk of the Strategic Portfolio is consistent with the Reference Portfolio.
- 8.2. UBC IMANT employs an active management approach with the objective of earning higher returns than the Reference Portfolio. The Pool’s investment portfolio is comprised of a diversified mix of external, actively managed investment funds, guided by the Investment Program ranges and constraints within the Strategic Portfolio. Given the active management approach of the Pool, it is understood that the risk level of the investment portfolio may, at times, deviate from the risk level of the Reference Portfolio to provide UBC IMANT flexibility and discretion to implement the Strategic Portfolio actively.
- 8.3. UBC IMANT will carry out the following risk mitigation mechanisms:
 - (a) minimum and maximum Investment Program weights within the Strategic Portfolio;
 - (b) active risk limits approved by UBC IMANT Board;
 - (c) other constraints approved by UBC IMANT Board for each Investment Program; and
 - (d) ongoing monitoring of performance by the UBC IMANT Board.

9. Responsible Investing

- 9.1. The Board of Governors and UBC IMANT are committed to responsible investing which incorporates the following principles in the investment decisions:
- (a) UBC's fiduciary duties to the endowed trusts within the Pool, which includes the duty to act in the financial interests of those trusts, is of paramount importance in decision making;
 - (b) sustainability through the incorporation of best practices in Environmental, Social and Governance ("ESG") considerations are relevant factors in making financial decisions regarding investments, as further described in Section 9.2; and
 - (c) active ownership and engagement is part of responsibility investing, as further described in Section 9.3.
- 9.2. ESG considerations have the potential to impact investment risks and returns. As a manager-of-managers, UBC IMANT works collaboratively with Managers that analyze and understand both the threats and opportunities driven by environmental impacts, social considerations and governance structures. The ESG criteria against which Managers will be evaluated include:
- (a) Environmental factors, including (but not limited to) climate risk, greenhouse gas emissions, air and water pollution, resource depletion, deforestation and land use;
 - (b) Social considerations, including (but not limited to) diversity, labour standards, workplace health and safety and consumer protection; and
 - (c) Governance practices, including (but not limited to) shareholders rights, conflicts of interest, board structure, board diversity, corruption and executive compensation.
- 9.3. Active ownership is a cornerstone of implementing responsible investing in practice. UBC IMANT will actively engage with Managers to obtain evidence of ESG integration in investment decision-making. Managers are evaluated with respect to the steps that they take to effect responsible corporate behaviour through proxy voting and direct industry contact. Collectively, UBC IMANT participates, with other like-minded institutions and organizations that promote responsible investing by influencing corporations, governments, and regulators.

10. Custody

- 10.1. The Custodian shall be a trust company registered in Canada. All public investments and assets of the Pool shall be held by the Custodian and registered:
- (a) in a name that clearly indicates that the investment is held in trust for the Pool and, where the investment is capable of being registered, registered in that name; or
 - (b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Pool and provides that:
 - (i) the investment constitutes part of the Pool;

- (ii) the investment shall not at any time constitute an asset of the Custodian or nominee; and
- (iii) records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Pool at any time.

11. Valuation of investments

- 11.1. Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.
- 11.2. Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values monthly.
- 11.3. If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than annually. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and in accordance with generally accepted industry valuation procedures. This valuation methodology shall also apply to non-tradable investments held directly or through co-investment with other investors.

12. Code of Conduct

- 12.1. All persons involved in management of the Pool must adhere to a code of conduct that complies with the CFA Institute Code of Ethics and Standards of Professional Conduct, or an equivalent or higher standard than that of the CFA Institute.

13. Conflict of Interest

- 13.1. From time to time, real or perceived conflicts of interest may arise. If any person listed below has or acquires any material interest, direct or indirect, in any matter in which the Pool is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Pool, that person must disclose that interest to the person as follows:
 - (a) any Manager, agent, or advisor to the Pool, to the UBC IMANT President;
 - (b) Management, to the UBC IMANT President;
 - (c) the UBC IMANT President, to the chair of the UBC IMANT Board;
 - (d) a Director, to the chair of the UBC IMANT Board; or
 - (e) the chair of the UBC IMANT Board, to the UBC IMANT President and the chair of the Board of Governors’ Governance Committee.
- 13.2. The chair of the UBC IMANT Board or the UBC IMANT President, as applicable, shall then advise all members of the UBC IMANT Board of the disclosed conflict before the next UBC IMANT Board meeting, and the UBC IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any person making a disclosure will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining Directors.

- 13.3. Every disclosure of interest shall be recorded in the minutes of the relevant UBC IMANT Board meeting.
- 13.4. The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract, or other matter.
- 13.5. The UBC IMANT President shall satisfy herself or himself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Pool, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

14. Related Party Transactions

- 14.1. For the purposes of this Policy, “**Related Party**” has the meaning given in the Business Corporations Act of British Columbia, but for greater certainty includes:
 - (a) UBC, an affiliate of UBC, or a member of the Board of Governors of UBC;
 - (b) an officer or employee of UBC;
 - (c) a Director; or
 - (d) UBC IMANT Staff.
- 14.2. The Pool may enter into a transaction with a Related Party only if:
 - (a) the transaction is required for the operation or administration of the Pool;
 - (b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions, and value; and
 - (c) the transaction does not exceed 3% of the market value of the Pool at the time of the transaction.
- 14.3. In 2014, the Board of Governors and the IMANT Board authorized a one-time \$100 million loan to the University for the construction of Orchard Commons student housing development. This decision temporarily suspends the 3% restriction in Section 14.2(c) until the remaining balance of the loan is less than 3% of the Pool. At that time, this section becomes void and Section 14.2(c) returns to force.

15. Policy Review

- 15.1. This Policy shall be reviewed at least annually by the UBC IMANT Board to determine whether any modifications are necessary or desirable.

University of British Columbia (UBC)

Main Endowment Pool

Statement of Investment Policies and Procedures

April 1, 2019

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SECTION 1 - PURPOSE

- 1.1 The University of British Columbia (the “**University**”) has established the Main Endowment Pool (the “**Pool**”) as one pool of funds within the University’s endowment (the “**Endowment**”) to support specific aspects of the University’s charitable activities in perpetuity.
- 1.2 This document constitutes the Statement of Investment Policies and Procedures (the “**Policy**”) applicable to the assets that make up the Pool.
- 1.3 The purpose of this Policy is to define the governance structure for the Pool, and formulate the principles, guidelines and monitoring procedures to manage the Pool’s assets in accordance with the University Act of British Columbia (the “**Act**”) and in particular Section 57 of the Act. This Policy is supplementary to the Act.

SECTION 2 - POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA

Overview

- 2.1 The Pool consists largely of endowed trust funds, which stipulate that the contribution(s) for each fund not be spent. The Pool is the result of philanthropy since 1915 where donors have provided resources to support specific aspects of the University’s activities in perpetuity. Donated amounts have been augmented through other programs, including provincial fund matching, and endowing the proceeds from the prepaid leasing of residential lands. In summary, the primary sources of cash to the Pool are:
 - (a) donated funds in cash or kind;
 - (b) provincial fund matching;
 - (c) leasing revenues from real property; and
 - (d) investment returns.

2.2 Investment returns are an important funding source and helps maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by the University. Endowment funds have an indefinite liability stream, with expectations that the charitable activities supported by each endowment fund within the Pool will benefit in perpetuity. Maintaining the purchasing power of the Pool's capital against inflation is essential in order to protect the purchasing power of the funds within the Pool in perpetuity.

Pool Objectives

- 2.3 The Pool's objective is to deliver the Return Objective (defined below) at an appropriate level of risk in order to:
- (a) honour the wishes of the donors of endowed funds;
 - (b) provide cash flows and capital appreciation that are sufficient to support the Pool's current spending objectives plus inflation and expenses; and
 - (c) preserve the capital and purchasing power of each endowment fund within the Pool in order to provide the same level of support in perpetuity.

Return Objective

2.4 The Pool has a long term target investment return objective of 6.65% (the "**Return Objective**"), comprised of an annual spending rate of 4.0% of the rolling 36 month average market value, inflation assumption of 2.0% and Pool expenses of 0.65%.

Strategic Asset Allocation Policy and Investment Policy Portfolio Benchmark

2.5 The Pool maintains a strategic asset allocation where the Pool's assets are invested in the asset classes listed under the heading "Component Asset Classes" in the percentages listed under the heading "Percentage Of Pool At Market Value" as set out in the following table ("**Strategic Asset Allocation Policy**") and

reviewed against the performance of the funds listed under the heading
“Investment Policy Portfolio Benchmarks” (the “**Benchmarks**”):

Component Asset Classes	Percentage of Pool at Market Value			Investment Policy Portfolio Benchmark
	<u>Policy Allocation</u>	<u>Range</u> <u>Minimum</u> <u>Maximum</u>		
Cash & Cash Equivalents	2%	0%	4%	FTSE Canada 91 Day T-Bill Index
Private Debt & Mortgages	5%	3%	7%	Custom Benchmark *
UBC Debenture	6%	0%	9%	CPI + 4.15% p.a.
Bonds	7%	4%	16%	FTSE Canada Universe Bond Index
Total Fixed Income	<u>20%</u>	<u>15%</u>	<u>30%</u>	
Canadian Equities	10%	7.5%	12.5%	S&P/TSX Composite Index
Global Equities	15%	10%	20%	MSCI World Net Index (CAD)
Global Small Cap Equities	5%	2.5%	7.5%	MSCI World Small Cap Index (CAD)
Emerging Markets	10%	5%	12.5%	MSCI Emerging Markets Net Index (CAD)
Total Public Equities	<u>40%</u>	<u>35%</u>	<u>50%</u>	
Private Equity	10%	7%	13%	MSCI World Net Index (CAD) +2.0% p.a. (lagged 3 months)
Real Estate (CH)	10%	7%	13%	CPI + 4.0% p.a. (lagged 3 months)
Infrastructure (CH)	12.5%	9%	16%	CPI + 4.5% p.a. (lagged 3 months)
Absolute Return Strategies (CH)	7.5%	5%	10%	FTSE TMX 91 Day Canada T-Bill Index + 5.0% p.a.
Total Alternatives	<u>40%</u>	<u>35%</u>	<u>50%</u>	

Note: (CH) denotes asset class where non-Canadian currency exposure is hedged. All other asset classes are unhedged.

* Custom Benchmark Return =

Mortgage weight * (FTSE Canada Short Term Bond Index + 1.0% p.a.) +

Private Debt weight * (FTSE Canada Short Term Federal Bond Index + 4% p.a.)

- 2.6 The Strategic Asset Allocation Policy is expected to meet the Return Objective within a suitable risk reward framework. The spending levels and funding requirements must recognize current asset class return expectations.

Performance Criteria

- 2.7 The criterion for evaluating the Pool is financial performance, with the goals of:
- (a) meeting the Return Objective; and
 - (b) meeting the returns which would have resulted from passive investments in the market indices set out in the Benchmarks on the basis of the weighting of the component asset classes set out in the Strategic Asset Allocation Policy
- (the “**Performance Criteria**”).

SECTION 3 - POOL GOVERNANCE

Structure Overview

- 3.1 The University’s Board of Governors (the “**Board of Governors**”) is responsible for the overall management of the Endowment, including the Pool. The Board of Governors has established a governance structure and delegated certain responsibilities and powers for investing the funds in the Pool to the University of British Columbia Investment Management Trust (“**IMANT**”).
- 3.2 IMANT acts through its Board of Directors (the “**IMANT Board**” and each director on the IMANT Board a “**Director**”). The IMANT Board has appointed an investment committee (the “**IMANT Investment Committee**”) and a President and CEO of IMANT (the “**IMANT President**”). The IMANT Board has delegated specific responsibilities to the IMANT Investment Committee and to the IMANT President to assist in carrying out duties with respect to the day-to-day management, administration and investment of the Pool.

- 3.3 Any external investment managers who assist with the management of the Pool (the “**Managers**”) or fiduciary providing services in connection with the management and investment of the Pool shall accept and comply with this Policy.

Board of Governors

- 3.4 The Board of Governors is responsible for:
- (a) appointing and removing the Directors;
 - (b) approving this Policy and any changes to this Policy; and
 - (c) receiving and reviewing reports from the IMANT Board, including monitoring the performance of the Pool against the Performance Criteria.

IMANT Board

- 3.5 The IMANT Board shall, with recommendations from the IMANT Investment Committee:
- (a) establish, adopt and maintain this Policy;
 - (b) review the Policy at least annually, and confirm it or recommend amendments for approval by the Board of Governors as needed;
 - (c) establish, recommend for approval by the Board of Governors and maintain the Strategic Asset Allocation Policy for the Pool and risk tolerance levels;
 - (d) establish and approve overall Manager structure for the Pool;
 - (e) establish and approve all operating and administrative policies and procedures for the Pool including:
 - (i) the IMANT Code of Conduct and its conflict of interest policies;
 - (ii) the IMANT Statement of Signing Authorizations;

- (iii) the IMANT Statement of Investment Authorities (“**Statement of Investment Authorities**”); and
- (iv) the IMANT Leverage Guidelines (the “**Leverage Guidelines**”);
- (f) delegate specific responsibilities to the IMANT President to assist with the day-to-day management and administration of the Pool. Notwithstanding this delegation of authority, the IMANT Board shall ensure oversight of the IMANT President’s compliance with this Policy;
- (g) rely on independent experts as required for certain aspects of the Pool’s operations;
- (h) monitor the Pool’s investment performance and asset class returns to ensure continued appropriateness of the long term Strategic Asset Allocation Policy;
- (i) advise the Board of Governors if the long term Strategic Asset Allocation Policy, Performance Criteria and the Return Objective are not in alignment; and
- (j) carry out other duties as delegated by the Board of Governors from time to time.

IMANT Investment Committee

3.6 The IMANT Investment Committee, comprising all members of the IMANT Board, within the scope of the general investment beliefs described in Section 4, shall:

- (a) review and recommend to the IMANT Board changes to this Policy, including the Strategic Asset Allocation Policy, which are within the University’s objectives and risk tolerances;
- (b) approve the following:
 - (i) sub-asset categories;

- (ii) investment guidelines for asset classes;
 - (iii) the Leverage Guidelines;
 - (iv) Manager structures;
 - (v) Manager selection process;
 - (vi) rebalancing rules;
 - (vii) proxy voting guidelines; and
 - (viii) asset-liability study and portfolio review consultants upon recommendations brought forward by the IMANT President;
- (c) review and report on investment performance against the Performance Criteria;
 - (d) monitor compliance with the Strategic Asset Allocation Policy;
 - (e) review and report on monitoring of the Managers and compliance reports prepared by the IMANT President;
 - (f) monitor, evaluate and report on performance and cost effectiveness of investment policies and strategies;
 - (g) recommend to the Board of Governors for their approval the appointment and/or termination of the Custodian of the Pool's assets (the "**Custodian**"); and
 - (h) carry out other appropriate duties as authorized by the IMANT Board.

IMANT President

- 3.7 The IMANT President, under the direction of the IMANT Board, shall:
- (a) manage the day-to-day investment activities and administration of the Pool in accordance with this Policy, the Act and the operating policies and procedures established by the IMANT Board;
 - (b) recommend to the IMANT Board an appropriate long term Strategic Asset Allocation Policy and Manager structure taking into account the Return Objective. Implement the Pool's Strategic Asset Allocation Policy;
 - (c) select and appoint and/or terminate the Managers within the guidelines established by the Statement of Investment Authorities;
 - (d) select and recommend appointment and/or termination of the Custodian to the IMANT Board;
 - (e) select and appoint and/or terminate consultants not covered by Section 3.6(b), lawyers and other service providers as required;
 - (f) meet with individual investment Managers on at least an annual basis for the purpose of evaluating and monitoring the performance of individual Managers relative to agreed upon performance and risk objectives as established by the IMANT President. Oversee the Managers' compliance with this Policy;
 - (g) execute agreements and mandates with the Managers, service providers and agents;
 - (h) evaluate and monitor the Pool's performance against the Performance Criteria to ensure continued appropriateness of the Performance Criteria for the long term. Make recommendations to the IMANT Investment Committee for confirmation and/or changes as required;

- (i) evaluate and recommend to the IMANT Investment Committee any co-investments with other institutional investors;
- (j) prepare reports for the IMANT Board and IMANT Investment Committee on a regular basis on the management and investment activities of the Pool; and
- (k) carry out other appropriate duties as authorized by the IMANT Board.

SECTION 4 - INVESTMENT PRINCIPLES AND BELIEFS

4.1 The IMANT Board of Directors' investment principles and beliefs form the basis for this Policy and the manner in which the Pool shall be invested, and they are:

- (a) the Pool shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess;
- (b) investment risk shall be managed with the same degree of prudence and care used in managing investment assets. IMANT shall manage investment risk primarily through asset mix and security diversification, Manager diversification, credit analysis, currency management and transparent reporting. To the extent practical investment risks should be identified, quantified, managed and reported;
- (c) the Board of Governors and IMANT are committed to a long-term view of the assets and liabilities of the Pool. A long term investment horizon provides opportunities to earn higher expected risk premiums from illiquid assets;
- (d) recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated;

- (e) in the long term, asset mix is the main determinant of portfolio return and risk, market timing does not consistently add value;
- (f) diversification can improve portfolio risk and return characteristics;
- (g) it is appropriate to retain Managers to invest the Pool in an efficient and cost effective manner;
- (h) passive investment management should be used unless it can be demonstrated that, net of fees, active management can add value;
- (i) public equities and alternative asset classes are expected to provide higher long term returns versus bonds, albeit with higher volatility. The volatility associated with those allocations is acknowledged;
- (j) the prudent use of derivatives can help manage risk and enhance returns. Derivatives and synthetic securities may be used as a substitute for more traditional investments in order to meet Pool objectives. This includes management of asset mix, currency hedging and replication of direct investments;
- (k) in the long run, currency hedging of foreign equities may not add value. Strategic currency hedging however, can be implemented to mitigate overall portfolio volatility particularly over the short to medium term;
- (l) flexibility and liquidity are important aspects for the Pool and need to be considered in asset allocations. The IMANT Board recognizes that allocations to certain alternative investment strategies may be less liquid than traditional asset classes; and
- (m) the Board of Governors and IMANT are committed to responsible investing. IMANT incorporates environmental, social and governance (ESG) factors in its investment process to facilitate more informed investment decisions in a way that does not negatively impact the financial objectives of its investments, and in selecting the Managers for public

equities investments (Canadian and Foreign), consideration of ESG factors by the Manager in their investment decisions is an important criterion;

- 4.2 The investment principles and beliefs described in Section 4.1 apply at the portfolio level as well as within individual asset classes.

SECTION 5 - RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION

Return and Risk Expectation

- 5.1 The Pool is expected to achieve over moving four-year periods a return, net of investment management fees of Managers, at least equal to the returns of the Benchmarks on the basis of the weighting of the component asset classes set out under the heading “Policy Allocation” in the Strategic Asset Allocation Policy.
- 5.2 The risk inherent in the investment strategy over the intermediate term (a five to ten year period) is three fold. There is a risk that long-term market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over the related Benchmark will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long-term return (such return may also be negative).

The primary measure of risk is the 4-year rolling rate of investment return compared with the Return Objective. The probability of achieving intergenerational equity is estimated at 57% in 10 years based on the September 2016 asset mix review.

Risk expectation can be measured in several ways. The measures are:

- (a) **Standard Deviation:** The Strategic Asset Allocation Policy is expected to achieve a target standard deviation of 10% or less in nominal terms over ten year periods.
- (b) **Intergenerational Equity:** The test of intergenerational equity is the retrospective examination of the Pool regarding maintenance of the inflation-adjusted value of the Pool, balanced by an equitable distribution of the Pool's real rate of return to support the University's charitable activities in perpetuity.

Asset Allocation

5.3 In identifying, reviewing and recommending changes to the long term Strategic Asset Allocation Policy that would best meet the above Pool's objectives set out in Section 2.3, consideration is to be given to:

- (a) the factors outlined in Pool Overview (Section 2);
- (b) capital preservation and the need to support the University's activities in perpetuity;
- (c) the long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates;
- (d) diversification benefits obtained by the inclusion of several asset classes; and
- (e) practical considerations.

5.4 Over complete market cycles, the Pool's assets shall stay within the ranges and the assets set out in the Strategic Asset Allocation Policy, subject to Section 5.5(b).

- 5.5 Recognizing that buying and selling securities incurs a cost and that there is a trade-off between transaction costs and benefits, for public market securities, the Pool will be rebalanced quarterly based on the following principles:
- (a) if an asset class is above or below an asset class range set out in the Strategic Asset Allocation Policy (plus or minus 2% to 5% dependent on the asset class), IMANT must rebalance to the range. IMANT has discretion to rebalance to the mid-point or to the range. Any deviations from the asset class mid-point must be reported to the IMANT Board; or
 - (b) in periods of extreme market volatility, the above rebalancing policy may be suspended upon confirmation and approval by the Chair of the IMANT Board, with notification to the IMANT Board.
- 5.6 If the chair of the IMANT Board suspends further allocations or redemptions to or from an asset class as a result of unfavorable market conditions, the Strategic Asset Allocation Policy's asset class weights will be adjusted accordingly until such suspension is removed or the Strategic Asset Allocation Policy is amended.
- 5.7 The Benchmarks include 0% currency hedging for foreign equities and 100% currency hedging for other foreign assets.
- 5.8 As part of risk management the maximum foreign currency exposure is limited to 50% of the Pool.
- 5.9 See Appendix A for a historical record of the Benchmarks.

External Investment Management

- 5.10 IMANT shall retain Managers, each to manage specified portions of the Pool. The selection of a Manager shall be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.
- 5.11 IMANT shall have a written mandate for each Manager, which describes the categories and sub-categories in which the Manager may invest, the investment

guidelines and constraints in respect of that mandate, and the investment performance standards.

5.12 A Manager, in performing its duties, shall:

- (a) exercise the care, diligence and skill of a prudent investment manager and shall at all times act on a basis that is fair and reasonable;
- (b) adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute or to the internal conduct guidelines established by the Manager; and
- (c) manage its portfolio in accordance with the terms of its Investment Management Agreement with IMANT and the specific guidelines set out in this Policy.

5.13 IMANT shall review the performance of each Manager, and may, at its sole discretion, terminate the services of a Manager. Reasons for terminating the services of a Manager include, but are not limited to:

- (a) failure of the Manager to meet the return expectations as specified in its mandate;
- (b) changes in personnel, firm structure, or investment philosophy, style or approach which might adversely affect the potential return or risk level of the portfolio;
- (c) failure to adhere to the Policy or the Manager's mandate; and
- (d) changes in the structure of the Pool which would no longer necessitate the use of the Manager's services.

Performance Evaluation

5.14 The Pool's performance will be evaluated against the Performance Criteria against the goals outlined in Section 2.7 and reported to the Board of Governors on a quarterly basis.

SECTION 6 - PERMITTED INVESTMENTS

- 6.1 All investments shall be made in accordance with applicable legislation and the standard of care set out in the Act, this Policy, and the guidelines approved by the IMANT Investment Committee from time to time for investment within particular asset classes.
- 6.2 The Custodian shall be a trust company registered in Canada. All public investments and assets of the Pool shall be held by the Custodian and registered:
- (a) in a name that clearly indicates that the investment is held in trust for the Pool and, where the investment is capable of being registered, registered in that name; or
 - (b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Pool and provides that:
 - (i) the investment constitutes part of the Pool;
 - (ii) the investment shall not at any time constitute an asset of the Custodian or nominee; and
 - (iii) records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Pool at any time.
- 6.3 From time to time, and subject to this Policy, the Pool may invest in any or all of the following asset categories and sub-categories of investments either directly or through pooled funds or other co-mingled vehicles that hold these investments:
- (a) **cash or cash equivalents**, which are limited to:
 - (i) deposits with banks or trust companies with a current term to maturity of one year or less;

- (ii) Canadian and foreign issuers with a current term to maturity of one year or less; and
 - (iii) floating rate notes of Canadian issuers with a current term to maturity of one year or less;
- (b) **fixed income**, which are limited to:
 - (i) bonds, debentures, notes, or other debt instruments, including securitized investments, of Canadian, and foreign issuers;
 - (ii) mortgages and asset-backed securities; and
 - (iii) term deposits or similar instruments of trust companies and banks licensed to carry on business in Canada or the United States;
- (c) **Canadian equity**, which are limited to:
 - (i) common stocks, convertible debentures, share purchase warrants, instalments receipts, exchangeable shares, share purchase rights, preferred shares or units in income trusts; and
 - (ii) interests in limited partnerships that are not foreign property under the Income Tax Act
- (d) **foreign equity**, which are limited to:
 - (i) non-Canadian (including emerging markets): common stocks, convertible debentures, preferred shares, share purchase warrants, share purchase rights, American Depositary Receipts (“ADRs”) of non-Canadian companies, Global Depositary Receipts (“GDRs”) of non-Canadian companies, income trust units in limited partnerships, private equity limited partnerships and real estate investments trusts;
- (e) **private equity**, which are investments in non-public Canadian and foreign companies through fund structures, fund of fund structures, swap

- arrangements or limited partnerships or co-investment with other like-minded institutional investors;
- (f) **private debt**, which are debt investments in non-public Canadian and foreign companies through fund structures, fund of fund structures, swap arrangements or limited partnerships or co-investment with other like-minded institutional investors;
 - (g) **real estate**, which is real property, whether held directly or through open or closed-end pooled funds, in partnership with like-minded investors, participating debentures, mezzanine debt, shares of corporations or partnerships, swap instruments to invest in real estate and units in real estate investment trusts;
 - (h) **infrastructure assets**, which are investments in infrastructure assets, whether held directly or through limited partnerships funds, fund of funds, or co-investments with other institutional investors;
 - (i) **absolute return assets**, which are investments in limited partnerships investing in low volatility absolute return strategies through funds of funds or multi strategy funds;
 - (j) **derivatives**, limited to:
 - (i) futures, exchange traded funds (ETF), and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available; and
 - (ii) forward currency contracts, swap agreements and other derivative investments with financial institutions or business corporations, including investment managers. The International Swaps and Derivatives Association (ISDA) agreement may be used;
 - (k) **other assets**, which includes:

- (i) oil and gas, resource properties commodities and timber through pooled funds, limited partnership or co-investments with other institutional investors, and other investments, including donated assets.
 - (ii) subject to the IMANT Board's approval, up to 5.0% of the Pool may be invested in unique market investment opportunities that may arise from time to time that do not readily fit a specific asset class category/Manager structure with an appropriate benchmark.
- 6.4 Pool investments in pooled funds and/or other co-mingled vehicles will be subject to the specific policies and/or guidelines of the respective pooled fund or co-mingled vehicle. In the event of a conflict between the Policy and the specific policies and/or guidelines of the respective pooled fund and/or co-mingled vehicle, the latter's policies and/or guidelines will prevail. However, IMANT is required to advise the Board of Governors in the event the pooled fund and/or co-mingled vehicle exhibits, or may exhibit, any significant departure from this Policy.

SECTION 7 - PORTFOLIO CONSTRAINTS - DIVERSIFICATION, LEVERAGE AND LIQUIDITY

- 7.1 Unless otherwise indicated, all percentages used in this Section 7 are calculated using market values.
- 7.2 IMANT shall not:
- (a) invest more than 3% of the market value of the Pool's assets in a single corporation, stock or income trust at time of purchase; or
 - (b) acquire securities of a corporation to which are attached more than 30% of the voting rights of any corporation.

Cash or Cash Equivalents

- 7.3 All cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable.

Fixed Income

- 7.4 Fixed income assets of the Pool must meet the following requirements:
- (a) no more than 5% of the fixed income portfolio shall be invested in any one corporation or security with the exception of those issued or guaranteed by the Government of Canada or a province of Canada or an agency thereof having at least an "A" rating;
 - (b) the aggregate amount of public and private debt securities in any single issuer except those issued by the Government of Canada shall not exceed 25% of the total debt outstanding by that issuer;
 - (c) not more than 25% of the fixed income portfolio shall be held in securities denominated for payment in a foreign currency;
 - (d) no more than 10% of the fixed income portfolio shall be invested in aggregate in debt securities having a "BBB" rating;
 - (e) no part of a fixed income portfolio shall be invested in a debt security having a rating lower than "BBB", unless such security had a rating of "BBB" or higher at the time of purchase;
 - (f) ratings policies in Section 7.4(a) to (e) do not apply to infrastructure debt, private debt, real estate debt and mortgages; and
 - (g) mortgage investments shall be restricted to pooled mortgage funds consisting of geographically diversified mortgages of industrial, residential, commercial and office properties. For a mortgage fund to be eligible, the aggregate amount of each mortgage within the mortgage fund

must not exceed 80% of the appraised value of the subject real estate at the time of investment or renewal.

7.5 If a security's credit rating falls below the specified level after purchase, the Manager shall recommend a course of action to the IMANT President for approval.

7.6 For purposes of this Section 7, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

Public Equities

7.7 Public equity assets of the Pool shall be diversified by stock, capitalization and industry and also by region and country in the case of foreign equities.

Real Estate

7.8 Real estate assets of the Pool must meet the following requirements:

- (a) properties shall be diversified by location, type of use and tenants;
- (b) not more than 5% of the real estate holdings may be invested in any one property; and
- (c) income-producing real estate holdings may be mortgaged, except that the aggregate principal amount of such mortgages and debt shall not exceed 10% of the market value of the Pool, and no mortgage or debt on any single holding shall be more than 75% of the market value of such holding at the time the mortgage is given or renewed.

Private Equity

7.9 Private equity assets of the Pool must be diversified by company, capitalization, industry and global region.

Private Debt

7.10 Private debt shall be diversified by issuer, industry and global region.

Infrastructure

7.11 Infrastructure assets of the Pool must meet the following criteria:

- (a) investments shall be diversified by geography and type. Income producing infrastructure investments are preferred;
- (b) not more than 5% of the infrastructure holdings may be invested in any one investment; and
- (c) debt financing infrastructure investments shall be restricted to the same percentage of the portfolio and the Pool as described above for real estate.

Derivatives

7.12 Derivatives instruments may be used for the following purposes:

- (a) create an asset mix position (e.g. Exchange Traded Funds) within the ranges and among the asset classes set out in this Policy;
- (b) adjust the duration of the fixed income portfolio within the ranges set out in this Policy;
- (c) replicate direct investments in the underlying assets or asset classes (e.g. indexes) allowed under this Policy so as to achieve an advantage of lower cost, transactional ease, market exposure or a Manager's skill;
- (d) manage the currency exposure of a portfolio of foreign assets; and
- (e) reduce risk as part of a hedging strategy, including market, interest rate, credit and currency risk.

7.13 The counterparty to any derivative transaction must have a long-term credit rating of at least "A" from Standard & Poor's Corporation, "A2" from Moody's Investor

Service Inc., or equivalent credit rating as rated by another nationally recognized rating organization.

Leverage

7.14 The Pool is permitted to invest up to 10% of its value in additional assets purchased through leveraged strategies and/or by creating synthetic exposures to existing asset classes. All such forms of leverage will not result in additional debt accruing to the University. All leveraged strategies must comply with the Leverage Guidelines.

Liquidity

7.15 IMANT shall maintain sufficient liquidity in the Pool to meet current operating disbursements and to avoid untimely disposal of securities.

SECTION 8 - LOANS AND BORROWING

8.1 No part of the Pool shall be loaned to any party, other than by:

- (a) purchasing securities which otherwise meet the requirements of this Policy for fixed income or cash equivalents; or
- (b) lending securities by the Custodian provided that a minimum collateral coverage of at least 105% of the current market value of the loaned securities is maintained at all times in cash or high quality liquid securities defined in the lending agreement with the Custodian and provided also that the Custodian provides a guarantee of all such loans.

8.2 Money shall not be borrowed on behalf of the Pool and the Pool's assets shall not be pledged or otherwise encumbered in respect thereof, except:

- (a) for and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management; and

- (b) for a non-recourse loan secured by a mortgage on a real estate investment of the Pool or debt financing of an infrastructure investment secured by the infrastructure asset.

SECTION 9 - VOTING RIGHTS

- 9.1 The IMANT Board has delegated the responsibility for exercising voting rights of the Pool's investments to the IMANT President who may either retain an external proxy voting service or delegate this responsibility to the Managers.
- 9.2 The IMANT President and Managers shall conform to the principle of voting in favour of measures that promote good social, environmental and corporate governance practices and vote against measures that do not appear to create value for shareholders. Voting of proxies shall be exercised at all times in the best interest of the University in support of its charitable activities.
- 9.3 The IMANT President and or Managers shall maintain a record of how the Pool's voting rights have been exercised.
- 9.4 Any voting rights related to interests in partnerships or limited partnerships shall be the responsibility of the President, who shall vote in the best interests of the University in support of its charitable activities
- 9.5 It is recognized, however, that the above policy on voting rights may not be enforceable to the extent that part of the Pool is invested in pooled funds.

SECTION 10 - VALUATION OF INVESTMENTS

- 10.1 Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.
- 10.2 Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

- 10.3 If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than annually. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and in accordance with generally accepted industry valuation procedures. This valuation methodology shall also apply to non-tradable investments held directly or through co-investment with other investors.
- 10.4 Independent expert appraisal of each such non-traded investments shall be obtained as needed.

SECTION 11 - RELATED PARTY TRANSACTIONS

- 11.1 For the purposes of this Policy, “**Related Party**” has the meaning given in the Business Corporations Act of British Columbia, but for greater certainty includes:
- (a) the University, an affiliate of the University, or a member of the Board of Governors of the University;
 - (b) an officer or employee of the University;
 - (c) a Director; or
 - (d) IMANT staff.
- 11.2 The Pool may enter into a transaction with a Related Party only if:
- (a) the transaction is required for the operation or administration of the Pool;
 - (b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions and value; and
 - (c) the transaction does not exceed 3% of the market value of the Pool at the time of the transaction.

- 11.3 In 2014, the Board of Governors and the IMANT Board authorized a one-time \$100 million loan to the University for the construction of Orchard Commons student housing development. This decision temporarily suspends the 3% restriction in Section 11.2 (c) until the remaining balance of the loan is less than 3% of the Pool. At that time, this section becomes void and Section 11.2 (c) returns to force.
- 11.4 Notwithstanding Section 11.2, the Directors shall monitor transactions to ensure ongoing compliance with this Policy.

SECTION 12 - CONFLICTS OF INTEREST

- 12.1 From time to time, real or perceived conflicts of interest may arise. If any person below listed has or acquires any material interest, direct or indirect, in any matter in which the Pool is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Pool, that person must disclose that interest to the person as follows:
- (a) any Manager, agent, or advisor to the Pool, to the IMANT President;
 - (b) IMANT staff members, to the IMANT President;
 - (c) the IMANT President, to the chair of the IMANT Board;
 - (d) a Director, to the chair of the IMANT Board; or
 - (e) the chair of the IMANT Board, to the IMANT President and the chair of the Board of Governors' governance committee.

The chair of the IMANT Board or the IMANT President, as applicable, shall then advise all members of the IMANT Board of the disclosed conflict before the next IMANT Board meeting, and the IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any person making a disclosure will thereafter abstain from any decision making with respect

to the area of conflict, unless otherwise determined by unanimous decision of the remaining Directors.

- 12.2 Every disclosure of interest under Section 12.1 shall be recorded in the minutes of the relevant IMANT Board meeting.
- 12.3 The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.
- 12.4 The IMANT President shall satisfy himself or herself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Pool, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

SECTION 13 - MONITORING

- 13.1 IMANT shall monitor the performance of each Manager relative to the Manager's mandate. In its analysis, IMANT shall review the portfolio holdings of each Manager and shall undertake any analysis that may be required to confirm the Manager's compliance with this Policy.
- 13.2 The IMANT Board shall review on a regular basis, as needed, and at least once a year:
 - (a) the assets and net cash flow of the Pool;
 - (b) the current asset mix of the Pool;
 - (c) risk analysis and investment performance of the Pool and each Manager relative to the objectives of the Policy and the Managers' mandates;
 - (d) the Pool's holdings;
 - (e) the fees and expenses incurred in managing the Pool; and
 - (f) compliance with this Policy.

Such a review shall be undertaken on the IMANT Board's behalf quarterly through the IMANT Investment Committee. Following such review, the IMANT Investment Committee shall take action as it deems prudent and appropriate.

- 13.3 The IMANT Investment Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Board of Governors.

SECTION 14 - POLICY REVIEW

- 14.1 This Policy shall be reviewed at least annually by the IMANT Board in order to determine whether any modifications are necessary or desirable. Such review shall include but not be limited to:

- (a) changes in the payout rate of the Pool by the University;
- (b) revisions to the expected long-term relationship between risk and reward on key asset classes;
- (c) practical operation of IMANT, the Managers, the Pool and other matters set out in this Policy;
- (d) changes in applicable legislation;
- (e) recommendations by the IMANT President; and
- (f) all changes to this Policy are to be recommended by the IMANT Board to the Board of Governors and approved by the Board of Governors.

APPENDIX A – INVESTMENT POLICY PORTFOLIO BENCHMARK (IPP) HISTORY

April 1, 2017 – March 31, 2019*		
	<u>Weight</u>	
Fixed Income	2%	FTSE TMX 91 Canada Day T-Bill Index
Fixed Income	5%	FTSE TMX Canada Short Term Federal Bond Index + 1.0%
Fixed Income	7%	CPI + 4.15% p.a.
Fixed Income	6%	FTSE TMX Canada Universe Bond Index
Equities (Cdn)	10%	S&P/TSX Composite Index
Equities (Global)	15%	MSCI World Net Index (CAD)
Equities (Global)	5%	MSCI World Small Cap Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	CPI + 4.0% (lagged 3 months)
Infrastructure	10%	CPI + 4.5% (lagged 3 months)
Absolute Return Strategies	10%	FTSE TMX 91 Day Canada T-Bill Index + 5%
		<i>* Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>
April 1, 2015 – March 31, 2017*		
	<u>Weight</u>	
Fixed Income	2%	FTSE TMX 91 Day T-Bill Index
Fixed Income	5%	FTSE TMX Canadian Short Term Bond Index + 1.0%
Fixed Income	13%	FTSE TMX Canadian Universe Bond Index
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (Global)	15%	MSCI World Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	CPI + 4.0%
Infrastructure	10%	CPI + 4.5%
Absolute Return Strategies	10%	FTSE TMX 91 Day T-Bill Index + 5%
		<i>* Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>
July 1, 2013 – March 31, 2015*		
	<u>Weight</u>	
Fixed Income	2%	DEX 91 Day T-Bill Index
Fixed Income	5%	DEX Short Term Bond Index + 1.0%
Fixed Income	13%	DEX Universe Bond Index
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (Global)	20%	MSCI World Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	12.5%	CPI + 4.0%
Infrastructure	12.5%	CPI + 4.5%
Hedge Funds	0%	HFRI Fund of Funds: Conservative Index (Cdn)
		<i>*Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>

January 1, 2011 – June 30, 2013*		
	<u>Weight</u>	
Fixed Income	2%	DEX 91 Day T-Bills Index
Fixed Income	18%	DEX Universe Bond Index
Equities (Cdn)	22.5%	S&P/TSX Composite Index
Equities (US)	11.25%	S&P 500 Index (Cdn)
Equities (EAFE)	11.25%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	ICREIM/IPD Canada All Property Index (lagged 3 months) 30% DEX Real Return Bond/70% MSCI World Net Index (Cdn)
Infrastructure	5%	(lagged 3 months)
Hedge Funds	0%	HFRI Fund of Funds: Conservative Index (Cdn)
<i>*Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>		
April 1, 2007 – December 31, 2010		
	<u>Weight</u>	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	15%	S&P 500 Index (Cdn)
Fixed Income	18%	DEX Universe Bond Index
Fixed Income	2%	DEX 91 Day T-Bills Index
Hedge Funds	12.5%	HFRI Fund of Funds: Conservative Index (Cdn)
Real Estate	10%	ICREIM/IPD Canada All Property Index (lagged 3 months)
Private Equity	12.5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
January 1, 2005 – March 31, 2007		
	<u>Weight</u>	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	15%	S&P 500 Index (Cdn)
Fixed Income	18%	Scotia Capital Universe Bond Index
Fixed Income	2%	Scotia Capital 91 Day T-Bills Index
Hedge Funds	12.5%	HFRI Fund of Funds Composite Index (Cdn)
Real Estate	10%	UBC Endowment Total Fund Return
Private Equity	12.5%	UBC Endowment Total Fund Return
October 1, 2001 – December 31, 2004		
	<u>Weight</u>	
Equities (Cdn)	20%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	25%	Russell 1000 Index (Cdn)
Fixed Income	5%	Scotia Capital Mortgage Index
Fixed Income	25%	Scotia Capital Universe Bond Index
Hedge Funds	5%	HFRI Fund of Funds Composite Index (Cdn)
Private Equity	5%	Cambridge Associates U.S. Private Equity (Cdn)
April 1, 2000 – September 30, 2001		
	<u>Weight</u>	
Equities (Cdn)	23.5%	S&P/TSX Composite Index
Equities (EAFE)	18.5%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	3%	MSCI Emerging Markets Index (Cdn)
Equities (US)	15%	Russell 1000 Index (Cdn)
Fixed Income	3%	Scotia Capital 91 Day T-Bills Index
Fixed Income	5%	Scotia Capital Mortgage Index
Fixed Income	32%	Scotia Capital Universe Bond Index

Prior to April 1, 2000		
	<u>Weight</u>	
Equities (Cdn)	20%	S&P/TSX Composite Index
Equities (EAFE)	8.5%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	3%	MSCI Emerging Markets Index (Cdn)
Equities (US)	8.5%	S&P 500 Index (Cdn)
Fixed Income	5%	Scotia Capital 91 Day T-Bills Index
Fixed Income	5%	Scotia Capital Mortgage Index
Fixed Income	50%	Scotia Capital Universe Bond Index

 <p>The University of British Columbia Board of Governors</p>	<p>Policy No: NTD—to be confirmed with UBC</p>
<p>Long Title:</p> <p>The University of British Columbia Main Endowment Pool Statement of Investment Policy</p> <p>DRAFT</p>	
<p>Short Title:</p> <p>The Endowment Statement of Investment Policy</p>	

1. ~~Background and Purpose~~

~~Endowments provide ongoing support for UBC programs and students. When UBC donors create an endowment, their gift is invested for the long term and an annual spend is distributed from a donor gift according to the terms established.~~

~~Endowment donors create meaningful legacies, and provide stable, dependable support for scholarships, bursaries, professorships, chairs, student programs, research programs, teaching support, strategic initiatives, important capital projects and more. Endowments help to transform the UBC and build a strong foundation for the present and the future.~~

1. ~~Scope~~

University of British Columbia (UBC)

Main Endowment Pool

Statement of Investment Policy

March 1, 2022

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UBC Main Endowment Pool Statement of Investment Policy

1. Purpose

1.1. The University of British Columbia (the “**UBC**”) has established the Main Endowment Pool (the “**Pool**”) as one pool of funds within ~~the University’s UBC’s~~ endowment (the “**Endowment**”) to support specific aspects of ~~the University’s academic~~ UBC’s charitable activities in perpetuity.

1.2. This document constitutes the Statement of Investment Policy (the “**Policy**”) applicable to the assets that make up the Pool.

1.3. The purpose of this Policy is to define the governance structure for the Pool and formulate the principles and guidelines to manage the Pool’s assets in accordance with the University Act of British Columbia (the “**Act**”), the Income Tax Act (*Canada*) (the “**ITA**”), all amended from time to time, and with any restrictions imposed by the Government of Canada and Province of British Columbia. This Policy is supplementary to the Act and the ~~ITA.~~

ITA.

2. ~~Endowment Description and Return Objectives~~

1.4. UBC’s Board of Governors (the “**Board of Governors**”) has approved the Endowment Policy (the “**Endowment Policy**”), which sets out UBC’s policies and procedures for managing endowed funds held by UBC.

1.5. In accordance with the Endowment Policy, UBC has engaged UBC Investment Management Trust Inc. (“**UBC IMANT**”) to provide investment management services in connection with the Pool under an Investment Management Services Agreement dated effective January 1, 2012 as amended and restated effective April 1, 2022 (the “**Investment Management Services Agreement**”). The Board of Governors has from time to time approved Statements of Investment Policies and Procedures which were predecessors to the Policy, and those predecessors were prepared based on an approach to governance which included the Board of Governors approval of strategic asset allocation and benchmarks for the investment of the Pool.

1.6. In 2021, the Board of Governors approved a shift in governance approach for the Pool, which resulted in an amendment to the Investment Management Services Agreement and this Policy. As a result of this shift, the Board of Governors approves a reference portfolio (described further in Section 4) and, through the Investment Management Services Agreement, UBC IMANT provides services that include design and implementation, under the oversight of UBC IMANT’s Board of Directors (the “**UBC IMANT Board**”), of a strategic portfolio (described further in Section 5) in accordance with a strategic asset allocation developed by UBC IMANT for the Pool within the parameters of the Reference Portfolio (defined below) and other requirements of this Policy.

2. Pool Overview

2.1. The Pool consists largely of endowed trust funds, which stipulate that the contribution(s) for each fund not be spent. The Pool is the result of philanthropy since 1915 where donors

have provided resources to support specific aspects of ~~the University's~~ UBC's charitable activities in perpetuity. Donated amounts have been augmented through other programs, including provincial fund matching, and endowing the proceeds from part of the prepaid leasing of residential lands. In summary, the primary sources of cash to the Pool are:

- a. ~~(a)~~ donated funds in cash or kind;
- provincial fund matching;

- b. ~~(c)~~ leasing revenues from real property; and
- investment returns.

2.2. Investment returns are an important funding source and help to maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by ~~the University.~~ UBC. Endowment funds have an indefinite liability stream, with expectations that the stated activities supported by each endowment fund within the Pool will benefit in perpetuity. Maintaining the purchasing power of the Pool's capital against inflation is essential to protect the purchasing power of the funds within the Pool in perpetuity.

~~The Pool's~~ 2.3. UBC's objective in investing the Pool is to ~~deliver the Return Objective (defined in Section 2.4)~~ receive investment returns at an appropriate level of risk to:

- (a) honour the wishes of the donors of endowed funds;
- (b) provide cash flows and capital appreciation that are sufficient to support the Pool's spending objectives; and
- (c) maintain intergenerational equity by preserving the capital and purchasing power of each endowment fund within the Pool to provide the same level of support in perpetuity.

2.4. The Pool shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including external investment managers ("Managers"), to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess.

3. Return Objective and Long-Term Sustainable Spending Rate Range

3.1. The Pool has an expected, ~~five~~ ten-year target nominal return objective of ~~4.65.2%~~ (the "Return Objective") determined by the asset mix study carried out in 2021.

3.2. The Return Objective is expected to support an annual spending rate between 3.5% to 4% over ~~the long~~ a term of 15 years, adjusted for inflation and operating costs (the "**Long-Term Sustainable Spending Rate**"). ~~The Return Objective and Long-Term Sustainable Spending Rate reflects~~ Range).

3.3. The Return Objective and the Long-Term Sustainable Spending Rate Range reflect the surplus/deficit position, at the time of the most recent Asset Mix study, as measured by the Aggregate

Stabilization Ratio (~~as defined as the market value of the Pool’s assets divided by the inflation-adjusted value of all capital contributions made to in the Pool~~); UBC Endowment Management Policy).

4. Reference Portfolio and Risk Tolerance

~~4.1.~~ To define a risk tolerance, a reference portfolio approach has been adopted by UBC.– The reference portfolio represents a simple, low cost, passive portfolio that is designed to reflect the ~~Pool’s~~~~Pool’s~~ long term Return Objective and risk preferences.– UBC’s risk preferences were incorporated into the reference portfolio design by evaluating different combinations of passive portfolios and the resulting probability of maintaining the ~~Long-Term~~~~LongTerm~~ Sustainable Spending Rate.–~~Therefore, the Range.~~

~~4.2.~~ A reference portfolio represents the amount of investment risk that UBC, as the governing fiduciary, is willing to bear in the pursuit of investment returns to achieve its spending objectives in a way that preserves intergenerational equity. The purpose of the Reference Portfolio is to:

~~1.0.~~—The reference portfolio is:

~~(a)~~ Aexpress the Board of Governors’ risk tolerance, by the composition of the Reference Portfolio, and be the primary indicator of the risk and return profile for the Pool;

~~(b)~~~~(b)~~ provide a set of broad public market investments that reflects the investment returns that can be generated by passive investments in global capital markets;

~~(c)~~~~(c)~~ Anestablish an investable program that can achieve a return within UBC’s Long-Term Sustainable Spending Rate Range with limited oversight and no active management; and

~~(d)~~~~(d)~~ Aestablish a market-based benchmark that can be used to determine the efficacy and success of active management.

~~2.3.4.3.~~ The ~~University’s~~ Board of Governors approve the following as the Reference Portfolio ~~(the “Reference Portfolio”)~~ for the Pool ~~is represented as follows:~~

Asset Class	Weight	Benchmark
Equities	70%	MSCI All Country World Total Return Index (net)
Fixed Income	30%	FTSE Canada All Universe Bond Total Return Index

~~(the “Reference Portfolio”).~~

~~2.4.4.4.~~ The Reference Portfolio is expected to achieve ~~UBC’s real return expectation over a fifteen-year period~~ returns within the Long-Term Sustainable Spending Rate Range. Over shorter periods of time, it is understood that returns ~~returns~~ may deviate from the ~~longer-term expectation~~ return expectation over 15 years as set out in the Long-Term Sustainable Spending Rate Range. Monitoring the expected future return of the

Reference Portfolio, on an annual basis, will assist UBC in identifying threats to its Long-Term Sustainable Spending Rate- Range.

2.5.4.5. By design, the Reference Portfolio is not engaged in active investment management decisions and is expected to be revised less frequently than the Strategic Portfolio.

5. Strategic Portfolio and Investment Programs

5.1. The Board of Governors has entered into the Investment Management Services Agreement, with UBC IMANT, under which UBC IMANT is required to prepare and establish the following:

- (a) a strategic asset allocation (the “**Strategic Portfolio**”), which is constructed as a diversified portfolio of multiple asset classes that is expected to exceed the risk adjusted return of the Reference Portfolio by embedding greater investment complexity and active management; and
- (b) investment programs (each an “**Investment Program**”) for investments in asset classes with similar risk profiles as the Strategic Portfolio.

5.2. The Strategic Portfolio must be:

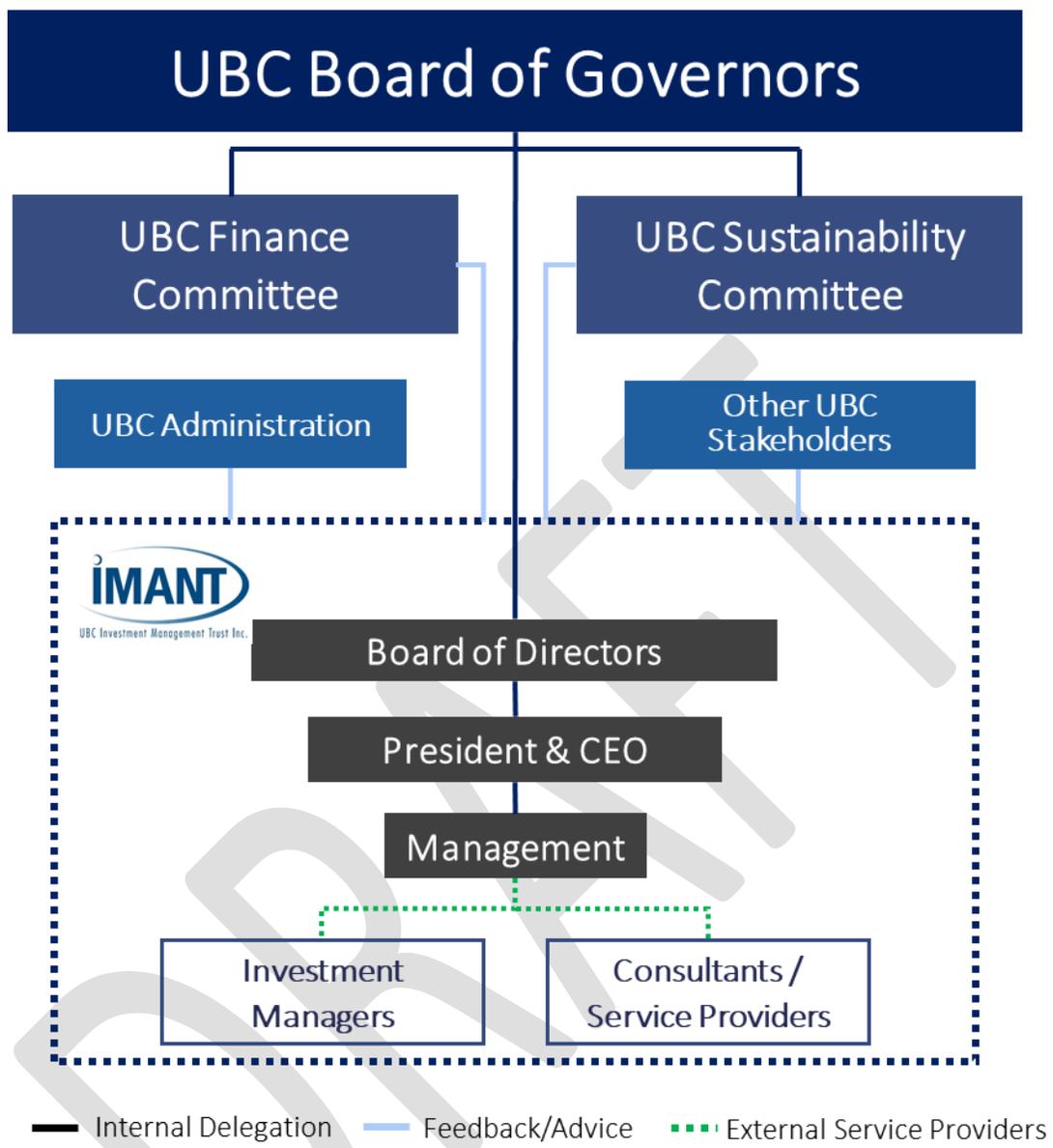
- (a) a diversified, multi-asset class portfolio,
- (b) used to guide UBC IMANT’s implementation program; and
- (c) exhibit a level of risk that is similar to the Reference Portfolio.

5.3. Asset class allocations within an Investment Program are fungible.

3. Governance

~~3.1. UBC’s Board of Governors (the “**Board of Governors**”) is responsible for the overall management of the Endowment, including the Pool. The Board of Governors has established a governance structure and delegated certain responsibilities and powers for investing the funds in the Pool to the University of British Columbia Investment Management Trust (“**UBC IMANT**”). The Board of Governors has allocated its responsibilities in respect of the Endowment as set out below.~~

~~3.2. The Pool shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including external investment managers (“**Managers**”), to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess~~



3.3. The Board of Governors are responsible for:

Governance Government bonds and Cash are excluded from the minimum portfolio weight requirements within the Strategic Portfolio as they are held primarily for liquidity management purposes.

6. Governance

6.1. The Board of Governors is responsible for:

- (a) reviewing UBC IMANT reports that include:
 - (i) the performance of the Pool against the Return Objective;
 - (ii) whether the risk profile is in-line with respect to the Reference Portfolio;

- ~~(→)(iii) actual portfolio weights as compared to the Pool; Strategic Portfolio; and~~
- ~~(iv) Appointing any changes to the Strategic Portfolio since the last report;~~
- ~~(b) appointing and removing the UBC IMANT Board of Directors (the “UBC IMANT Board” and each director on the UBC IMANT Board (each a “Director”); and~~
- ~~Approving (c) approving this Policy and any changes to this Policy, which includes approving the following:~~
 - ~~(→)(i) Approving the Reference Portfolio which represents the amount of investment risk that UBC, as the governing fiduciary, is willing to bear in the pursuit of investment returns;~~
 - ~~(ii) Approving the Return Objective; and~~
 - ~~(→)(iii) the Long-Term Sustainable Spending Rate; and Range.~~
- ~~f. Monitoring the performance of the Pool against the Return Objective.~~

UBC IMANT is responsible for the design and implementation of the Pool's investment portfolio consistent with the over:

~~(e)~~(a) overseeing and monitoring the activities of the UBC IMANT President & CEO and management (“**Management**” and collectively the “**UBC IMANT Staff**”);

1.1. UBC IMANT Board responsibilities include:

~~(a)~~(b) Approving approving investment beliefs to guide UBC IMANT ~~staff~~Staff in the development of the implementation strategy;

~~(a)~~(c) Reviewreviewing the Policy, at least annually, and ~~recommend~~recommending amendments, if any, for approval by the Board of Governors;

~~(a)~~(d) Appointingappointing UBC IMANT’s President and CEO;

~~(a)~~(e) Recommendingrecommending a Reference Portfolio to the Board of Governors;

~~(a)~~(f) Approvalapproval of the Pool’s Strategic Portfolio ~~(defined in Section 4.2) and Investment Program ranges (defined in Section 4.3);~~;

~~(a)~~(g) Approvalapproval of Investment ~~Program~~Programs, including but not limited to ranges, risk parameters and constraints;

~~(h)~~ Approvingapproving the appointment and/or termination of the custodian of the Pool’s assets (the “**Custodian**”);

~~(a)~~(i) approving key service providers such as ~~the custodian and an~~ asset mix consultant;

~~(a)~~(j) Establishingestablishing appropriate compensation programs, including performance evaluation, for UBC IMANT Staff; and

~~(a)~~(k) Monitoringmonitoring and evaluating investment performance and operational ~~cost efficiency~~costefficiency against objectives and benchmarks.

6.3. UBC IMANT’s President and CEO, with the support from Management, is responsible for:

(a) Developingdeveloping and recommending a Strategic Portfolio, and a Reference Portfolio to the UBC IMANT Board;

(b) Implementingimplementing the Strategic Portfolio;

(c) Designingdesigning and recommending the Investment Programs specifying investment objectives and operating parameters for distinct asset classes to the UBC IMANT Board;

(d) Activelyactively monitoring risk-adjusted performance of the Strategic Portfolio against the relevant benchmarks and reporting on this performance to the UBC IMANT Board and Board of Governors on a regular basis;

(e) Activelyactively managing the Strategic Portfolio to deliver superior risk-adjusted returns;

(f) Appointingappointing, monitoring and, when appropriate, terminating external investment managers and other external advisors, consultants, and service

providers within delegated authorities established by UBC IMANT Board ~~and the Board of Governors;~~

- (g) ~~Developing~~developing and implementing a responsible investment approach and embedding environment, social, and governance factors into its investment processes;
- (h) ~~Ensuring~~ensuring efficient and cost-effective day-to-day operations;
- (i) ~~Recruitment~~recruitment, and development of ~~an effective management team~~Management to support UBC IMANT's mission and vision; and
- (j) ~~Regular~~regular reporting to the UBC IMANT Board, the UBC Board of Governors, and other ~~University~~UBC stakeholders.

4. Strategic Portfolio

- 4.1. The Main Endowment Pool investment portfolio is constructed as a diversified portfolio of multiple asset classes that is expected to exceed the risk-adjusted return of the Reference Portfolio by embedding greater investment complexity and active management.
- 4.2. Following the 2021 UBC Endowment asset mix study, the UBC IMANT Board approved the following Strategic Portfolio:

Investment Programs	Asset Class	Target Weight	Range
GOVERNMENT BONDS AND CREDIT	Government Bonds & Cash	5%	12%
	Cash	12.5%	22%
DIVERSIFYING ASSETS	Alternative Return Program	7.5%	5% 10%
REAL ASSETS	Real Estate	10%	15%
	Infrastructure	10%	25%
EQUITY	Global Developed Equity	30%	45%
	Emerging Market Equity	15%	65%
	Private Equity	10%	

31.1. **Investment Programs:** Investments in asset classes with a similar risk profile form an investment program (“**Investment Program**”). ~~Asset class allocations within an Investment Program are fungible.~~ Government bonds and Cash are excluded from the minimum portfolio weight requirement as they are held primarily for liquidity management purposes.

33.7. Permitted Investments, Financing and Securities Lending

7.1. The Pool may be invested in any or all of the following asset categories:

- (a) **Cash:** Investments in cash such as deposits with financial institutions, treasury bills, commercial paper, banker’s acceptances, and money market securities.
- (b) **Commodities:** Investments in commodity assets such as energy, industrial metals, precious metals, agriculture, livestock, and investments with commodity attributes such as carbon credits.
- (c) **Derivatives:** Investments in derivatives such as futures and forward contracts, options, warrants, swaps, and repurchase agreements. Derivatives may be used for hedging, risk management and portfolio rebalancing, including the hedging of

foreign currency exposure. Derivatives may also be used for leverage or as a ~~cost-effective~~ substitute for traditional investments.

~~(gg)~~(d) **Equity:** Investments in private and public equities through common shares, income trusts, investment trusts, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), and Preferred Shares.

~~(gg)~~(e) **Fixed Income:** Investments in public fixed income assets such as bonds, debentures, notes, asset-backed securities, and term deposits or similar instruments with financial institutions. Investments in non-publicly traded fixed income assets such as senior and subordinated loans, mortgages, structured credit instruments, and investments in credit attributes such as royalties, insurance, and litigation finance.

~~(gg)~~(f) **Real Assets:** Investments in publicly and non-publicly traded real estate and infrastructure assets.

~~(gg)~~(g) **Investment Vehicles:** Pool investments are made indirectly or synthetically through exchange traded funds (ETFs), pooled funds, trusts, limited partnerships, mutual funds, derivatives, segregated funds or other investment vehicles.

~~33.8-7.2.~~ **Borrowing:** Borrowing or providing guarantees on behalf of the Pool is permitted.

~~33.9-7.3.~~ **Pledging:** UBC IMANT may pledge, charge, or otherwise grant a security interest in assets or post margin as required to complete derivatives transactions, complete a short sale or in connection with repurchase transactions. All pledging to be done on a non-recourse basis to UBC.

~~33.10-7.4.~~ **Leverage:** The Pool is permitted to invest up to 10% of its value in assets purchased through borrowing and/or by creating synthetic exposures to existing asset classes. All such forms of leverage may not result in additional debt accruing to UBC.

~~33.11-7.5.~~ **Securities Lending:** Lending securities is permitted provided that a sufficient collateral coverage is always maintained ~~at all times~~ in cash or high-quality, liquid securities in accordance with industry standards.

~~35.8.~~ Risk Management and Oversight

~~35.1. The Board of Governors' risk tolerance, as expressed by~~8.1. UBC IMANT will compare the composition risk level of the Reference Portfolio, ~~is the primary indicator of the risk and return profile for the Pool.~~

~~The Strategic Portfolio is a diversified, multi-asset class portfolio used to guide UBC IMANT's implementation program and exhibit a level of risk that is similar to the Reference Portfolio. The risk level of the Strategic Portfolio will be compared~~ against the Reference Portfolio periodically to confirm the modelled risk of the Strategic Portfolio is consistent with the Reference Portfolio.

~~The Pool~~8.2. UBC IMANT employs an active management approach with the objective of earning higher returns than the Reference Portfolio. The Pool's investment portfolio is comprised of a diversified mix of external, actively managed investment funds, guided by the Strategic Portfolio Investment Program ranges and constraints. ~~– within the Strategic Portfolio.~~ Given the active management approach of the Pool, it is understood that the

risk level of the investment portfolio may, at times, deviate from the risk level of the Reference Portfolio to provide UBC IMANT flexibility and discretion to implement the Strategic Portfolio actively.

The 8.3. UBC IMANT will carry out the following risk mitigation mechanisms ~~have been established~~:

- (a) ~~Minimum~~minimum and maximum Investment Program weights; within the Strategic Active Risk Portfolio;
- ~~(b)~~ active risk limits approved by UBC IMANT Board;
- ~~(c)~~ Other constraints approved by UBC IMANT Board for each Investment Program; and
- ~~(d)~~ Ongoing monitoring of performance by the UBC IMANT Board.

38.9. Responsible Investing

9.1. The Board of Governors and UBC IMANT are committed to responsible investing which incorporates the following principles in the investment decisions:

- (a) ~~The UBC's fiduciary requirements~~ duties to ensure that the endowed trusts within the Pool, which includes the duty to act in the financial requirements ~~interests of all stakeholders are met~~ those trusts, is of the paramount importance; in decision making;
- (b) ~~Sustainability~~ sustainability through the incorporation of best practices in Environmental, Social and Governance (“ESG”) considerations; ~~and are relevant factors in making financial decisions regarding investments, as further described in Section 9.2;~~ and
- (c) ~~Active~~ active ownership and engagement; ~~is part of responsibility investing, as further described in Section 9.3.~~

9.2. ESG considerations have the potential to impact investment risks and returns. As a manager-of-managers, UBC IMANT works collaboratively with Managers that analyze and understand both the threats and opportunities driven by environmental impacts, social considerations and governance structures. The ESG criteria against which Managers will be evaluated include:

- (a) Environmental factors, including (but not limited to) climate risk, greenhouse gas emissions, air and water pollution, resource depletion, deforestation and land use;
- (b) Social considerations, ~~encompassing~~ including (but not limited to) diversity, labour standards, workplace health and safety and consumer protection; and
- (c) Governance practices, including ~~cover~~ (but not limited to) shareholders rights, conflicts of interest, board structure, board diversity, corruption and executive compensation.

9.3. Active ownership is a cornerstone of implementing responsible investing in practice. UBC IMANT will actively engage with Managers to obtain evidence of ESG integration in investment decision-making. Managers are evaluated with respect to the steps that they take to effect responsible corporate behaviour through proxy voting and direct industry contact. Collectively, UBC IMANT participates, with other like-minded institutions and organizations that promote responsible investing by influencing corporations, governments, and regulators.

40.10. Custody

10.1. The Custodian shall be a trust company registered in Canada. All public investments and assets of the Pool shall be held by the Custodian and registered:

- (a) in a name that clearly indicates that the investment is held in trust for the Pool and, where the investment is capable of being registered, registered in that name; or

- (b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Pool and provides that:
 - (i) the investment constitutes part of the Pool;
 - ~~(ii)~~ the investment shall not at any time constitute an asset of the Custodian or nominee; and
 - ~~(+)(iii)~~ records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Pool at any time.

42.11. Valuation of investments

11.1. Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.

11.2. Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values ~~on a~~ monthly ~~basis.~~

11.3. If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than annually. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and in accordance with generally accepted industry valuation procedures. This valuation methodology shall also apply to non-tradable investments held directly or through co-investment with other investors.

44.12. Code of Conduct

12.1. All persons involved in management of the Pool must adhere to ~~a~~ code of ~~conducts~~conduct that ~~comply~~complies with the CFA Institute Code of Ethics and Standards of Professional Conduct, or an equivalent or higher standard than that of the CFA Institute.

46.13. Conflict of Interest

13.1. From time to time, real or perceived conflicts of interest may arise. If any person listed below has or acquires any material interest, direct or indirect, in any matter in which the Pool is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Pool, that person must disclose that interest to the person as follows:

- (a) any Manager, agent, or advisor to the Pool, to the UBC IMANT President.

- (b) Management, to the UBC IMANT President;
 - (c) the UBC IMANT President, to the chair of the UBC IMANT Board;
 - (d) a Director, to the chair of the UBC IMANT Board; or
 - (e) the chair of the UBC IMANT Board, to the UBC IMANT President and the chair of the Board of Governors' Governance Committee.
- 13.2. The chair of the UBC IMANT Board or the UBC IMANT President, as applicable, shall then advise all members of the UBC IMANT Board of the disclosed conflict before the next UBC IMANT Board meeting, and the UBC IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any person making a disclosure will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining Directors.
- 13.3. Every disclosure of interest shall be recorded in the minutes of the relevant UBC IMANT Board meeting.
- 13.4. The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract, or other matter.
- 13.5. The UBC IMANT President shall satisfy herself or himself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Pool, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

48.14. Related Party Transactions

14.1. For the purposes of this Policy, “**Related Party**” has the meaning given in the Business Corporations Act of British Columbia, but for greater certainty includes:

- (a) UBC, an affiliate of UBC, or a member of the Board of Governors of UBC;
- ~~(a)~~(b) an officer or employee of UBC;
- ~~(a)~~(c) a Director; or
- ~~(a)~~(d) UBC IMANT Staff.

14.2. The Pool may enter into a transaction with a Related Party only if:

- (a) the transaction is required for the operation or administration of the Pool;
- ~~(a)~~(b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions, and value; and
- ~~(a)~~(c) the transaction does not exceed 3% of the market value of the Pool at the time of the transaction.

14.3. In 2014, the Board of Governors and the IMANT Board authorized a one-time \$100 million loan to the University for the construction of Orchard Commons student housing development. This decision temporarily suspends the 3% restriction in Section 14.2(c) until the remaining balance of the loan is less than 3% of the Pool. At that time, this section becomes void and Section 14.2(c) returns to force.

49.15. Policy Review

15.1. This Policy shall be reviewed at least annually by the UBC IMANT Board ~~in order~~ to determine whether any modifications are necessary or desirable.

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APPENDIX 4: STRATEGIC PORTFOLIO APPROVED BY UBC IMANT BOARD OF DIRECTORS

	Approved Strategic Portfolio (2021) Target	Current Strategic Portfolio (2017) Target
Cash	2%	2%
Bonds	3%	7%
Private Debt ¹	12.5%	11%
Rates & Credit¹	17.5%	20%
Canadian Equity		10%
Global Equity	30%	15%
Small Cap Equity		5%
Emerging Markets Equity	15%	10%
Private Equity	10%	10%
Total Equity	55%	50%
Real Estate	10%	10%
Infrastructure	10%	12.5%
Real Assets	20%	22.5%
Absolute Return Strategies	7.5%	7.5%

¹ Includes UBC Debenture

UBC IMANT Investment Beliefs

Risk & Return

- We believe investors should be compensated for accepting more risk by way of higher returns.
- We believe having a long-term investment horizon provides opportunities to earn higher returns.
- We believe good governance and oversight are more effective tools than prescriptive constraints to promote strong risk-adjusted returns.

Organizational Effectiveness

- We believe that aligning financial interests between our stakeholders, ourselves and our partners is the best way to achieve our Mission.
- We believe that costs need to be efficiently managed in the pursuit of investment returns.

Sustainability

- We believe integrating Environmental, Social and Governance (ESG) factors into the investment process and considering the impact of climate change can both mitigate risks and provide opportunities to earn higher returns.

Asset Allocation

- We believe that asset mix is the main driver of portfolio risk and returns and diversification will improve portfolio risk-adjusted returns.
- We believe that disciplined rebalancing of portfolio exposures to the strategic portfolio can control risk and enhance returns over the long term.

Active Management

- We believe capital market efficiency varies across regions, strategies and time horizons which can provide opportunities for active management to generate net excess returns above passive implementation.
- We believe that market timing through tactical asset allocation does not consistently generate excess returns.

