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<b>SUBJECT</b>	UBC Investment Management Investment Report Q3 2022
<b>SUBMITTED TO</b>	Finance Committee
<b>MEETING DATE</b>	November 17, 2022
<b>SESSION CLASSIFICATION</b>	Recommended session criteria from Board Meetings Policy: OPEN
<b>REQUEST</b>	For information only - No action requested
<b>LEAD EXECUTIVE</b>	Yale Loh, Interim Vice-President Finance
<b>SUPPORTED BY</b>	Dawn Jia, President & CEO, UBC Investment Management Gordon MacDougall, Chair, UBC Investment Management Board Graham Sheppard, UBC Investment Management

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### EXECUTIVE SUMMARY

The purpose of this briefing is to update the Finance Committee on the performance of the University's investment assets for the quarter ending September 30, 2022, and update the Committee on the implementation of UBC Investment Management's Responsible Investing Strategy.

The update contains information on the following funds:

- UBC Main Endowment Pool
- UBC Staff Pension Plan
- UBC Working Capital Fund
- UBC Faculty Pension Plan Supplemental Arrangement

The attached presentation provides an update on capital market developments, portfolio asset growth and performance over various investment periods and an update on UBC Investment Management's Responsible Investing activities.

Updates for the quarter ended September 30, 2022:

- Capital market returns were volatile over the quarter, rallying strongly in July before reversing in August and September. Driving the volatility in markets has been persisting high inflation figures and the resolve of central banks to push policy interest rates higher in order to bring inflation down toward their long-term targets. The rapid increase in interest rates has increased borrowing costs for households and businesses and is expected to push the Canadian and U.S. economies into a recession and weigh on corporate earnings. The current environment of high inflation and rising interest rates is negatively impacting both equity and bond returns, making traditional methods of diversification less effective than in prior investment market drawdowns.
- Despite challenging market conditions, UBC's investment portfolio returns for the Endowment and Staff Pension Plan have performed better than their benchmarks. The Endowment and Staff Pension Plan have material exposure to private market investments, which have offered protection against the volatility experienced in public equity and bond markets. Over a one-year period, the Endowment fund return was -1.9% while the SPP Portfolio return was -4.6%, compared to Policy Benchmark returns of -12.8% and -8.9%, respectively. The Staff Pension Plan portfolio's larger decline over the period reflects its material exposure to long term bonds, which have a high return sensitivity to changes in market interest rates. Over longer periods, the Endowment and Staff Pension Plan continue to meet their required return objectives.

## Overview of Responsible Investing Activities

UBC Investment Management continues to advance the Responsible Investment Strategy endorsed by the Board of Governors.

In line with the University's declaration of a climate emergency, UBC Investment Management's Responsible Investing Strategy is a multi-year initiative that was designed to first prioritize environmental risk in the endowment portfolio with additional objectives related to Social and Governance factors to be developed in FY2023. Since the Strategy was first approved, UBC Investment Management continues to be on track in meeting the Strategy's stated deliverables and has made particular progress over the past two years on climate risk monitoring and carbon reduction.

An updated scorecard of our planned activities in the strategy has been included in the presentation material associated with this memo.

One of UBC Investment Management's primary responsible investment objectives in the 2023 fiscal year is to expand our portfolio-related carbon emissions reporting beyond public equity investments to include public fixed income securities where carbon emissions can be estimated. This will provide the university with a broader view of portfolio carbon emissions and will enable measurement and reporting for UBC's Working Capital Fund which does not currently hold any equity investments. This approach is also consistent with recommendations of leading climate disclosure groups, including the Task Force on Climate-Related Financial Disclosures (TCFD).

UBC Investment Management has been engaging with our fixed income investment managers and responsible investment advocacy groups to review industry-leading approaches to calculating carbon footprint for fixed income securities and aggregating measurements of carbon footprint across multiple asset classes. In expanding carbon emissions reporting beyond equity investments the primary metrics we report for portfolio carbon emissions may need to change to accommodate non-equity positions (e.g., loans). UBC Investment Management is committed to transparency in making any changes to the way in which carbon emissions are being measured and reported to the Board of Governors.

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## PRESENTATIONS

1. Q3 2022 Investment Report

# Q3 2022 Investment Report

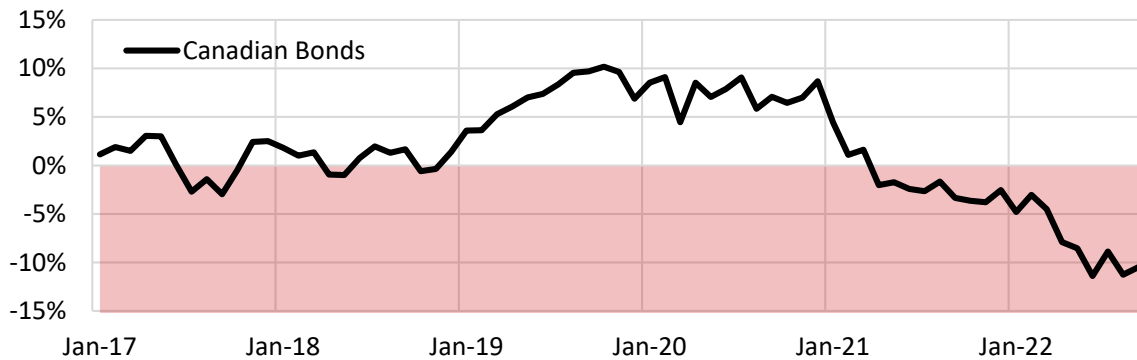
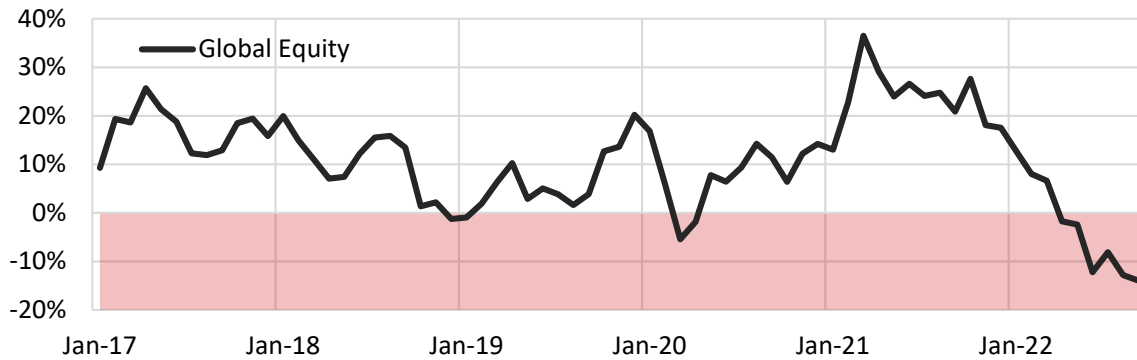
November 17, 2022

**Dawn Jia, President & CEO**  
**UBC Investment Management Trust**



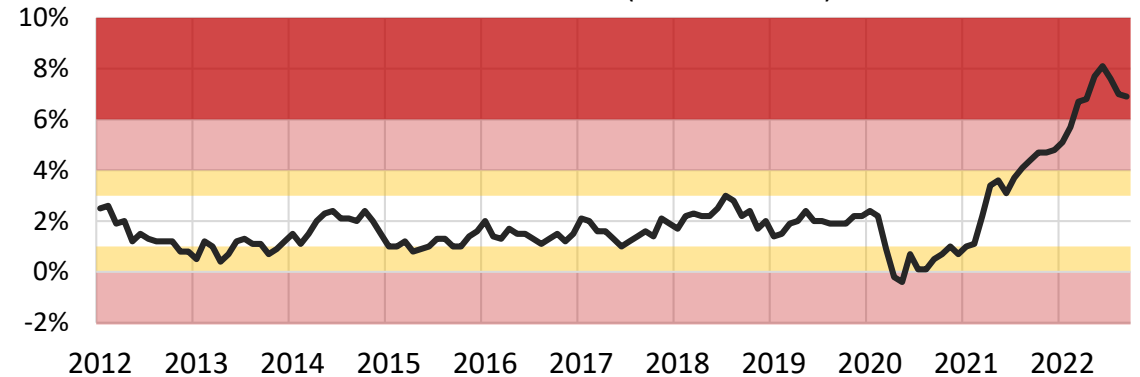
# Investment Market Summary

Investment Market Returns (1-Year Rolling Periods)

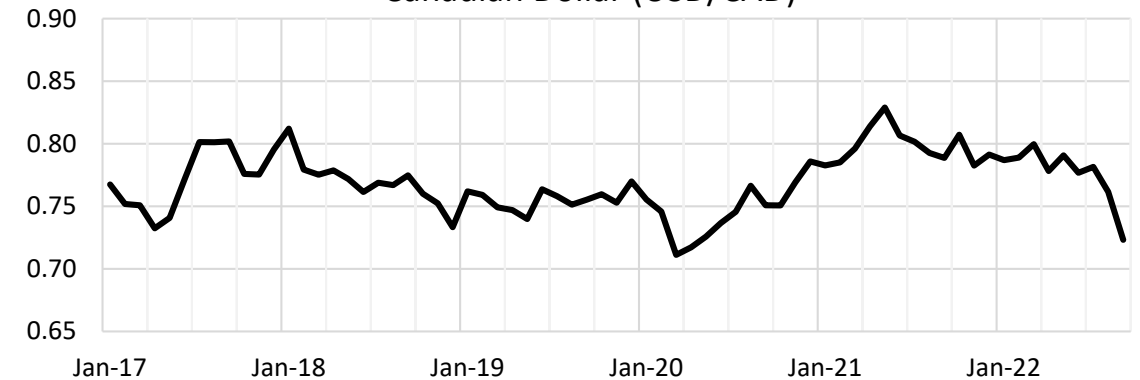


- Global equity markets continue to experience high volatility, declining further through Q3 in response to persisting inflation and steadily rising policy interest rates expected to cause an economic recession.
- Bond index returns have also continued to trend lower on account of rising interest rates and rising credit spreads.

Canadian Inflation (Year-over-Year)



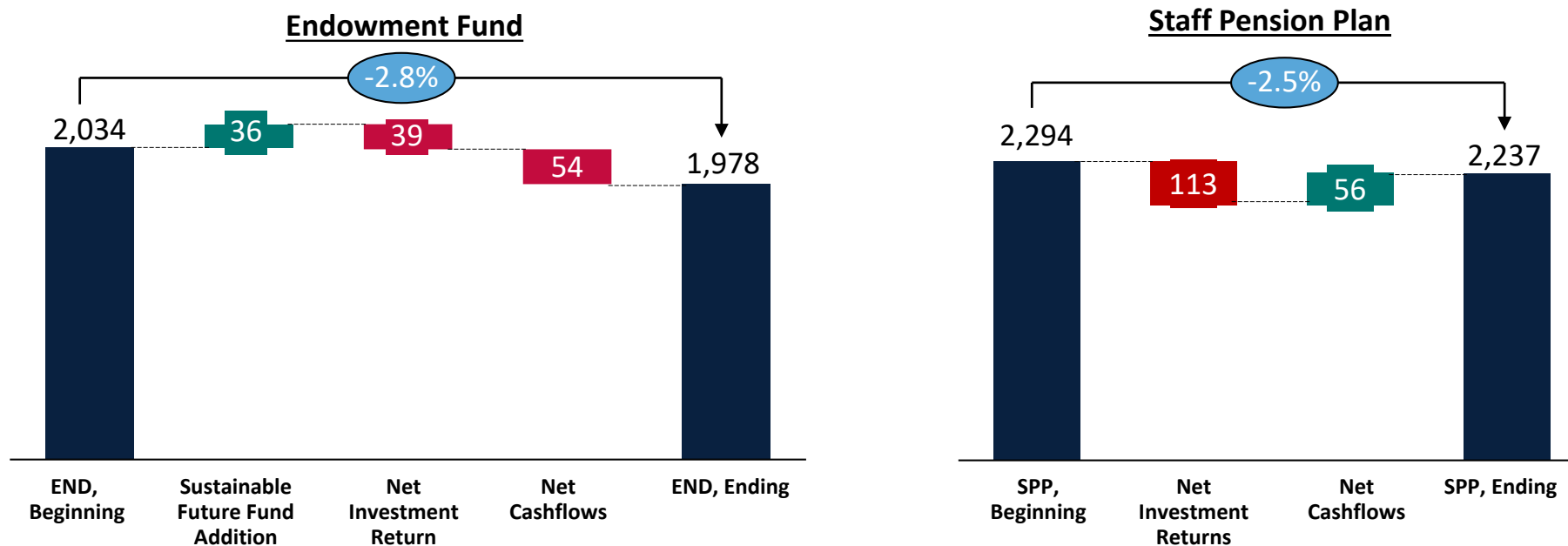
Canadian Dollar (USD/CAD)



- After reaching 8.1% in June, Canadian inflation figures trended down modestly through Q3 but remain at elevated levels.
- The Canadian dollar weakened significantly in September alongside risk assets. A weakening Loonie benefits UBC's Canadian-dollar based returns on unhedged foreign currency investments.

# Assets Under Management (as of September 30, 2022)

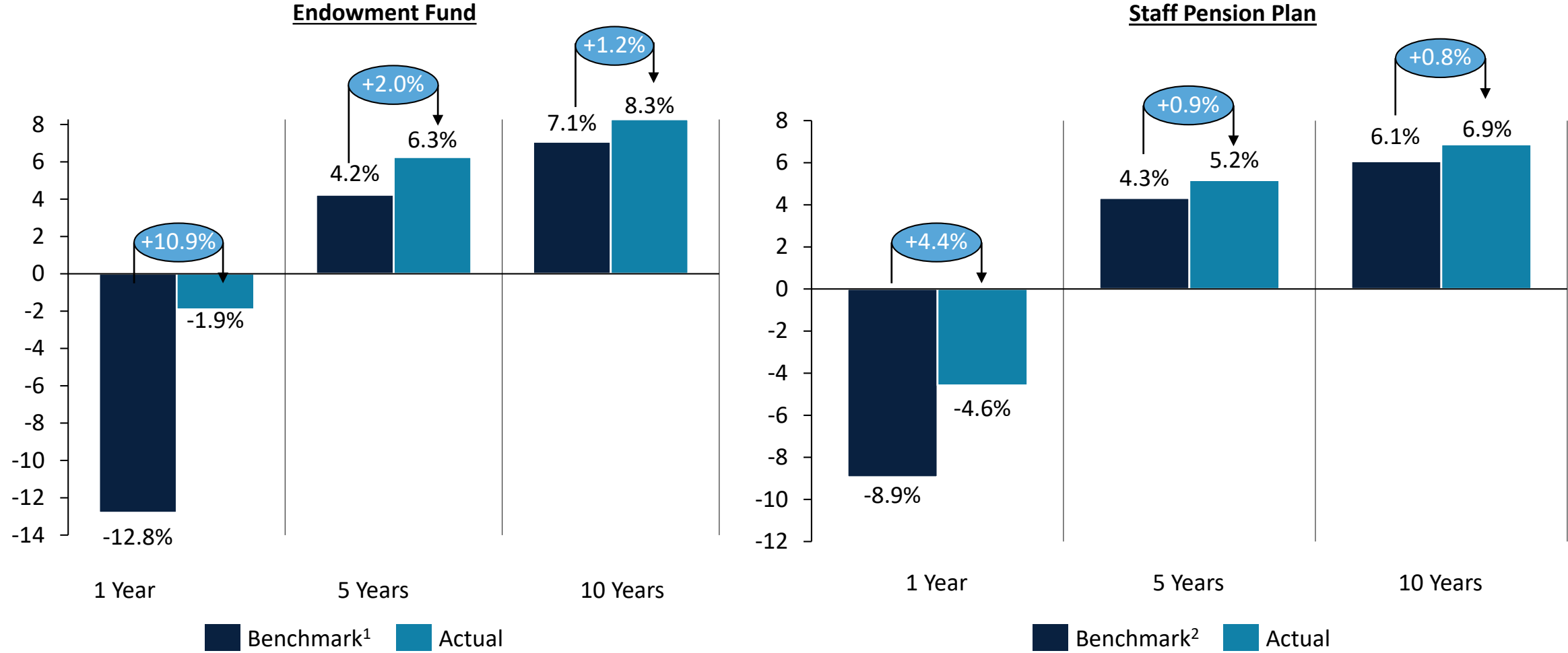
Assets Under Management declined across both the Endowment and SPP Portfolios, driven primarily by negative investment returns. SPP continues to benefit from net cash inflows, while the Endowment fund has net cash outflows due to Endowment spending.



Pool	Opening Balance (\$M)	Closing Balance	% Change
Endowment Fund	2,034	1,978	-2.8%
Staff Pension Plan	2,294	2,237	-2.5%
Working Capital Fund	1,071	1,197	-9.0%
Supplemental Arrangement	127	108	-15.0%

# Performance Summary (as of September 30, 2022)

Absolute returns continue to be negative over a 12-month period, driven by the ongoing decline in public equity and fixed income markets. Both funds have generated strong outperformance compared with the benchmark; the Endowment's stronger return compared to the SPP primarily reflects SPP's material exposure to long term bonds, which have experienced sharp negative returns.



<sup>1</sup> Benchmark performance comprised of Reference Portfolio returns as of April 1, 2021. Earlier periods utilize the historical policy benchmark.

4 <sup>2</sup> Benchmark performance comprised of Investable Policy Benchmark as of July 1, 2022. Earlier periods utilize the historical policy benchmark.

# Endowment Fund Summary

Market Value **\$1,978 M**

## Asset Mix Summary

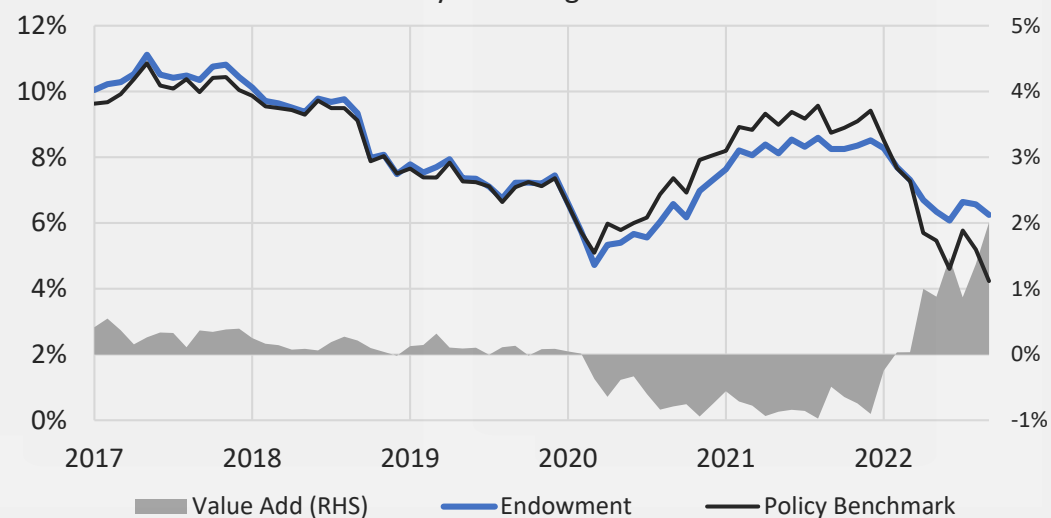
Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	0.7%	2.0%	-1.3%
Government Bonds	2.4%	3.0%	-0.6%
Public Bonds	0.5%	0.0%	0.5%
Private Debt & Mortgages	8.2%	8.0%	0.2%
UBC Debenture	4.6%	4.5%	0.1%
<b>Total Fixed Income</b>	<b>16.3%</b>	<b>17.5%</b>	<b>-1.2%</b>
Global Equities	27.9%	30.0%	-2.1%
Emerging Equities	13.1%	15.0%	-1.9%
Private Equity	11.1%	10.0%	1.1%
<b>Total Equity</b>	<b>52.1%</b>	<b>55.0%</b>	<b>-2.9%</b>
Real Estate	11.4%	10.0%	1.4%
Infrastructure Equity	12.1%	10.0%	2.1%
<b>Total Real Assets</b>	<b>23.5%</b>	<b>20.0%</b>	<b>3.5%</b>
Absolute Return Strategies	8.0%	7.5%	0.5%
Multi Asset	0.2%	0.0%	0.2%

## Investment Performance (September 30, 2022)

	Quarter	1-Year	5-Years	10-Years
Required Return	1.01%	11.80%	7.93%	6.65%
Actual Returns	1.91%	-1.94%	6.25%	8.28%
Policy Benchmark <sup>1</sup>	-0.34%	-12.84%	4.23%	7.07%
Value Added	2.25%	10.90%	2.02%	1.21%

<sup>1</sup> Endowment policy benchmark performance is comprised of Reference Portfolio returns as of April 1, 2021. Earlier periods utilize the endowment's historical policy benchmark

## Investment Performance vs. Policy Benchmark 5-year rolling return



# UBC Staff Pension Plan Summary

Market Value **\$2,237 M**

## Asset Mix Summary

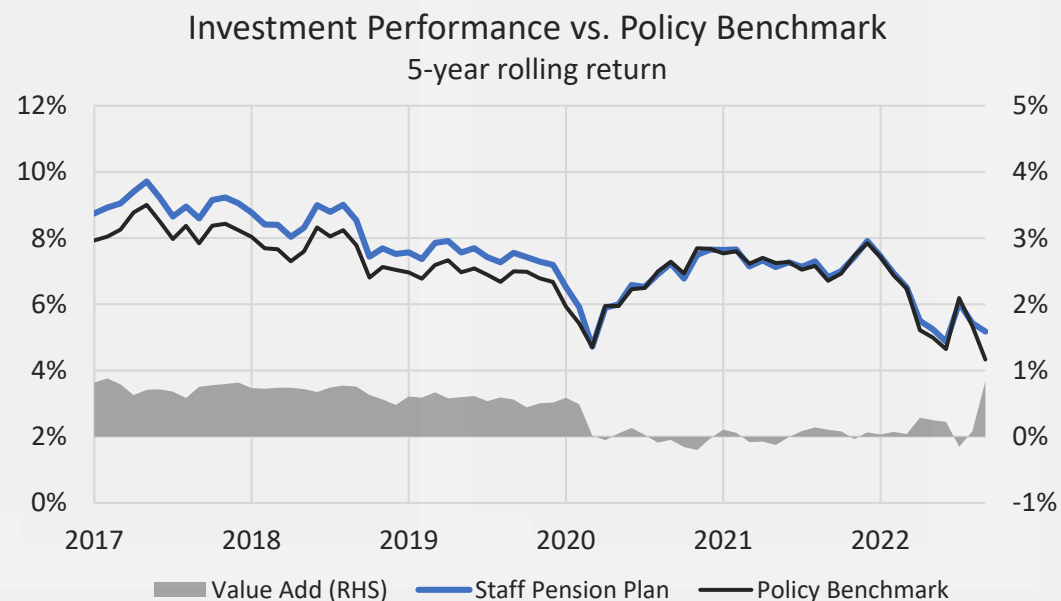
Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.0%	1.0%	0.0%
Public Long Term Bonds	22.3%	19.0%	3.3%
Infrastructure Debt	5.3%	10.0%	-4.7%
Mortgages	6.0%	5.0%	1.0%
Private Debt	7.1%	7.5%	-0.5%
<b>Total Fixed Income</b>	<b>41.7%</b>	<b>42.5%</b>	<b>-0.8%</b>
Canadian Equities	7.4%	7.5%	-0.1%
Global Equities	14.1%	15.0%	-0.9%
Emerging Equities	6.6%	7.5%	-0.9%
Private Equity	5.7%	5.0%	0.7%
<b>Total Equity</b>	<b>33.9%</b>	<b>35.0%</b>	<b>-1.1%</b>
Real Estate	11.3%	10.0%	1.3%
Infrastructure Equity	13.2%	12.5%	0.7%
<b>Total Real Assets</b>	<b>24.5%</b>	<b>22.5%</b>	<b>2.0%</b>

## Investment Performance (September 30, 2022)

	Quarter	1-Year	5-Years	10-Years
Discount Rate	6.00%	6.00%	5.89%	6.05%
Actual Returns	0.81%	-4.58%	5.17%	6.87%
Policy Benchmark <sup>1</sup>	-2.09%	-8.94%	4.32%	6.07%
Value Added	2.90%	4.36%	0.85%	0.80%

<sup>1</sup> Policy Benchmark performance comprised of Investable Policy Benchmark as of July 1, 2022.

Earlier periods utilize the historical Policy Benchmark





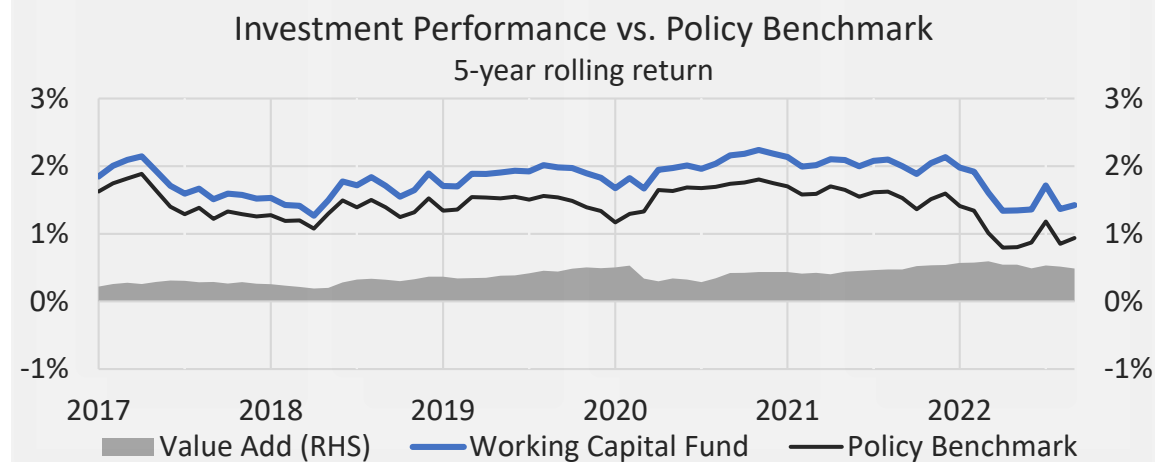
# UBC Working Capital Fund Summary

Market Value	\$1,177 M
<b>Asset Mix Summary</b>	
Asset Class	Current Mix
Money Market	19.7%
Short Term Bond & Mortgage	57.2%
Mortgages	23.1%

## Investment Performance (September 30, 2022)

	Quarter	1-Year	5-Year	10-Year
Actual Returns*	0.08%	-3.51%	1.43%	1.47%
Policy Benchmark	-0.18%	-4.28%	0.94%	1.08%
Value Added	0.26%	0.77%	0.49%	0.39%

\* Net of investment management fees.



# Supplemental Arrangement Summary

Market Value	\$108 M		
<b>Asset Mix Summary</b>			
Asset Class	Current Mix	Policy Mix	Overweight/Underweight
Fixed Income	40.2%	40.0%	0.2%
Equities	54.8%	50.0%	4.8%
Real Estate	5.0%	10.0%	-5.0%

## Investment Performance (September 30, 2022)

	Quarter	1-Year	5-Year	10-Year
Actual Returns*	-0.66%	-10.76%	4.03%	6.22%
Policy Benchmark	-0.53%	-10.98%	4.16%	6.28%
Value Added	-0.13%	0.22%	-0.13%	-0.06%

\* Net of Sun Life administration and investment management fees.

# Responsible Investing Scorecard

*Leveraging assets and expertise in pursuit of strategic goals and measurable results*

UBC Endowment Fund					
Item	Performance Indicator(s)	Target	Timeline	Status	Weight
Climate Action					40%
Divestment of Fossil Fuels	Percentage of total portfolio	0%	2030	2.1% <sup>1</sup>	
Carbon Footprint	<b>Total Emissions</b> - Tonnes CO2 / \$ million invested <b>Intensity</b> - Tonnes CO2 / \$ million sales revenue	45% Reduction from Baseline	2030	-60% <sup>1</sup> -45% <sup>1</sup>	
Carbon Footprint	Expand carbon emissions reporting to include public bonds	n/a	March 2023	●	
Engagement & Proxy Voting					20%
Proxy Voting	Active manager proxy voting policies and votes reviewed and aligned with UBC Investment Management responsible investing approach	100%	Ongoing	●	
Public Policy & Advocacy					20%
Active Contributions/Advocacy	Speaking engagements at industry conferences/roundtables; News Releases	3	March 2023	●	
Affiliations & Memberships	Number of affiliations maintained	3	Ongoing	●	
Leadership	Publication of Responsible Investing Report	n/a	June 2022	☑	
Transparency					20%
Public equity holding disclosure	Maintain updated disclosures (semi-annual)	n/a	Ongoing	☑	
Manager ESG Integration	Number of managers with ESG policies, reporting, and memberships (e.g., PRI)	3/4 by count	March 2023	●	
Enhance Public Reporting	Establish reporting for UBC funds consistent with TCFD recommendations	n/a	June 2023	○	

<sup>1</sup> June 30, 2022 holdings



Completed



On-track / exceeded target



Missed Target



Not Started