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<b>SUBJECT</b>	UBC Investment Management Investment Report for the quarter ending December 31, 2022
<b>SUBMITTED TO</b>	Finance Committee
<b>MEETING DATE</b>	March 22, 2023
<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>	Frank Laezza, Vice-President Finance & Operations
<b>SUPPORTED BY</b>	Yale Loh, Treasurer and Interim Vice-President Finance Dawn Jia, President & CEO, UBC Investment Management 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 December 31, 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 December 31, 2022:

- Following consecutive quarters of negative market returns, a sense of relief started to wash over financial markets in the fourth quarter as investors viewed the deceleration in inflation readings positively while the Bank of Canada and Federal Reserve began to signal to markets that the rapid increase in policy rates experienced in 2022 may be nearing a "pause" period in 2023 as they evaluate the economic impact of the rate increases that have been put in place. Global equity and bond markets responded favourably in October and November but those gains were partially given back in December as strong economic data tempered growing market expectations that policy rates might decrease in 2023. Overall, broad market returns were positive over the quarter.
- Investment portfolio returns for the Endowment and Staff Pension Plan were positive in Q4 in absolute terms, returning 4.0% and 2.7% respectively. Both funds underperformed their respective benchmarks for the quarter but continue to show strong relative performance over a one-year period. The Endowment fund's 12-month return of -1.0% has outpaced the Reference Portfolio return of -12.1%, while the Staff Pension Plan Portfolio return was -5.8% over the same period, beating the Plan's Investable Policy Benchmark return of -14.3%. The Endowment Fund's higher allocation to Equities meant the portfolio was able to capture more upside in Q4 as Equities rallied, while the SPP portfolio's higher allocation to Fixed Income was a headwind.
- Assets Under Management declined across both the Endowment and SPP Portfolios over a one-year period, reflecting the drawdown in public equity and fixed income markets through 2022.

## 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.

Over the most recent quarter, UBC Investment Management received inaugural reporting results from the PRI. Distribution of the results were delayed several times by PRI and reflect UBC's responsible investing practices in place as at December 31, 2020. As such, PRI reporting results have not reflected the strong progress made by UBC and UBC Investment Management in responsible investing practices through 2021 and 2022. The 2020 results indicated strong ESG integration at the asset class and manager selection level. Enhancements made by UBC and UBC Investment Management over the past two years, including climate-related investments, the Endowment's climate risk study and UBC's TCFD endorsement and reporting will be reflected in this year's reporting.

From an investment implementation perspective, UBC Investment Management announced a USD \$40 million dollar investment in BeyondNetZero, a climate growth equity fund managed by General Atlantic. The fund invests in high-growth businesses that have the potential to combat climate change at scale, specifically in the areas of decarbonization, energy efficiency and resource conservation. The investment is a good example of UBC Investment Management's investment process to partner with leading investment managers that have longstanding track records of performance and align with UBC's responsible investing objectives.

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## PRESENTATIONS

1. UBC Finance Committee Investment Report



# UBC Finance Committee Investment Report

March 22, 2023

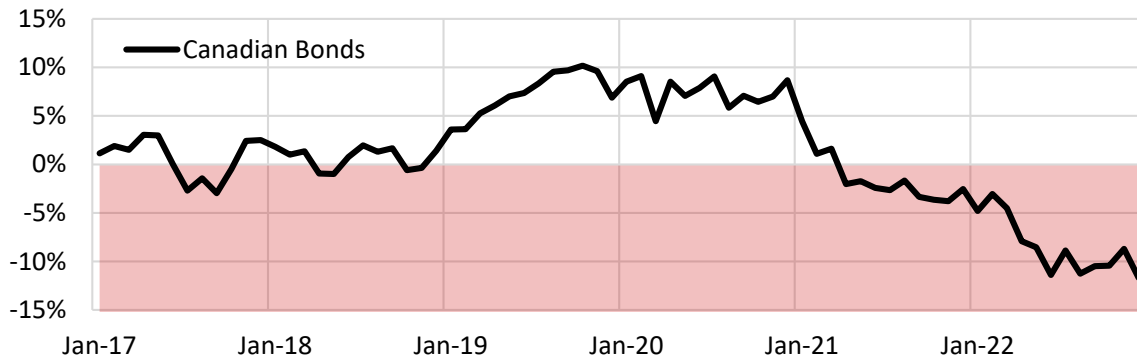
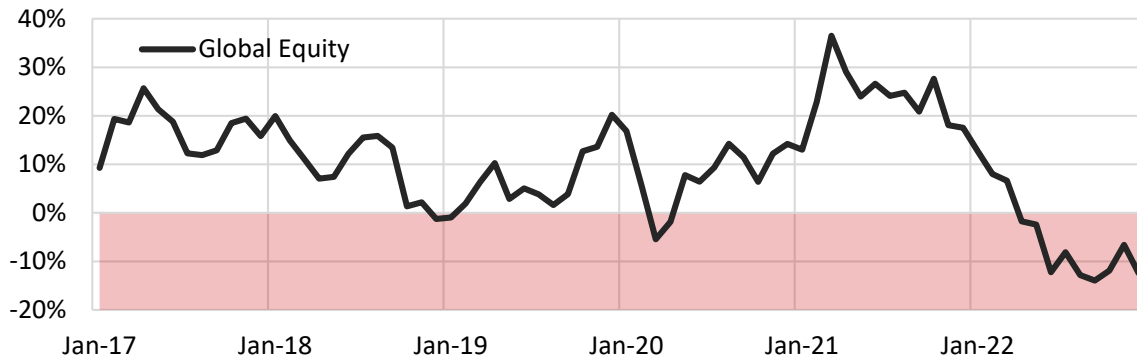
**Dawn Jia, President & CEO**  
**UBC Investment Management**





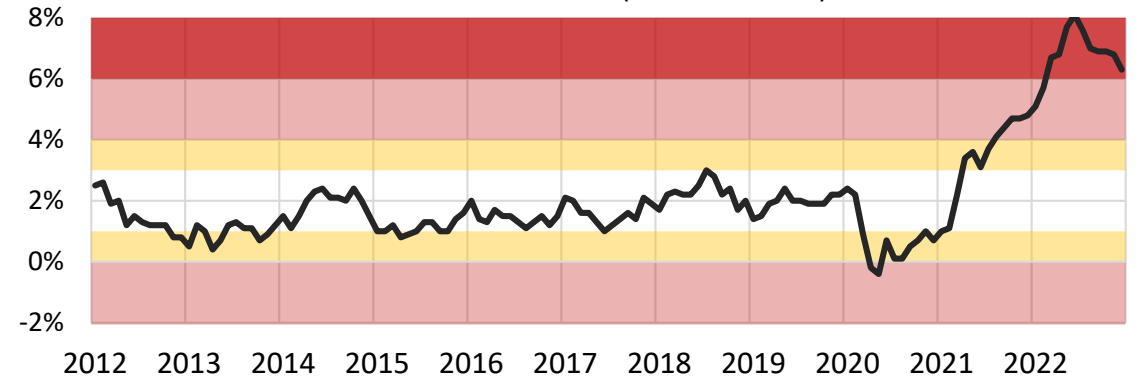
# Investment Market Summary

Investment Market Returns (1-Year Rolling Periods)

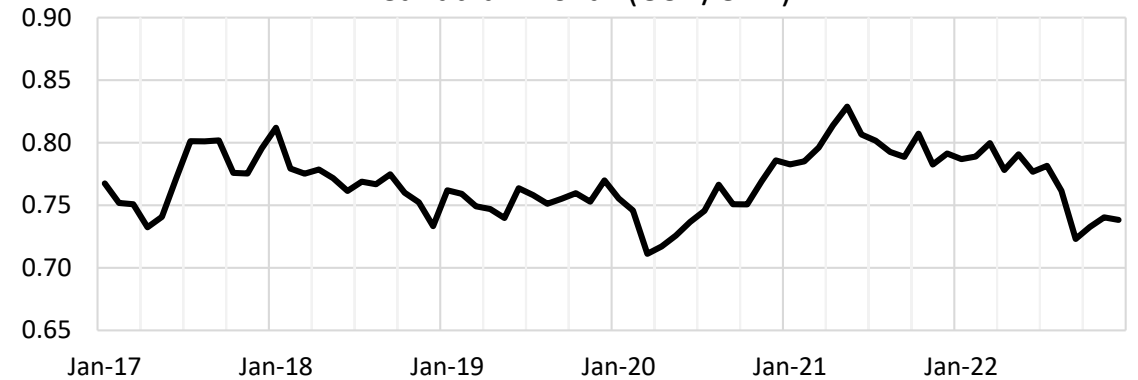


- Global equity markets finished a turbulent year with gains in Q4. Positive returns were tempered by central banks reiterating plans to continue tightening monetary policy if required.
- Bond returns were modestly negative in Q4 as central banks communicate higher policy interest rates will persist in the near term.

Canadian Inflation (Year-over-Year)



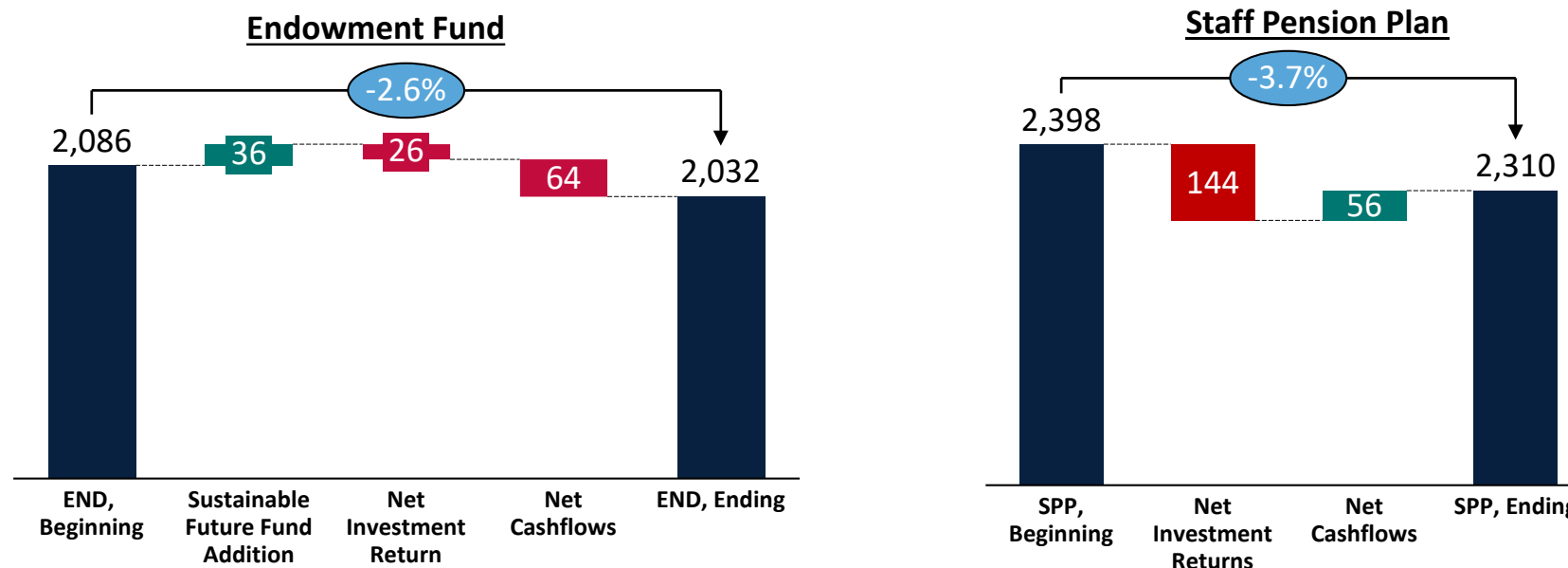
Canadian Dollar (USD/CAD)



- A challenging year for inflation ended with some signs that there may be some respite, as inflation readings continued to trend downward since peaking in June.
- The Canadian dollar stabilized in Q4 after significantly depreciating in September alongside risk assets.

## Assets Under Management (as of December 31, 2022)

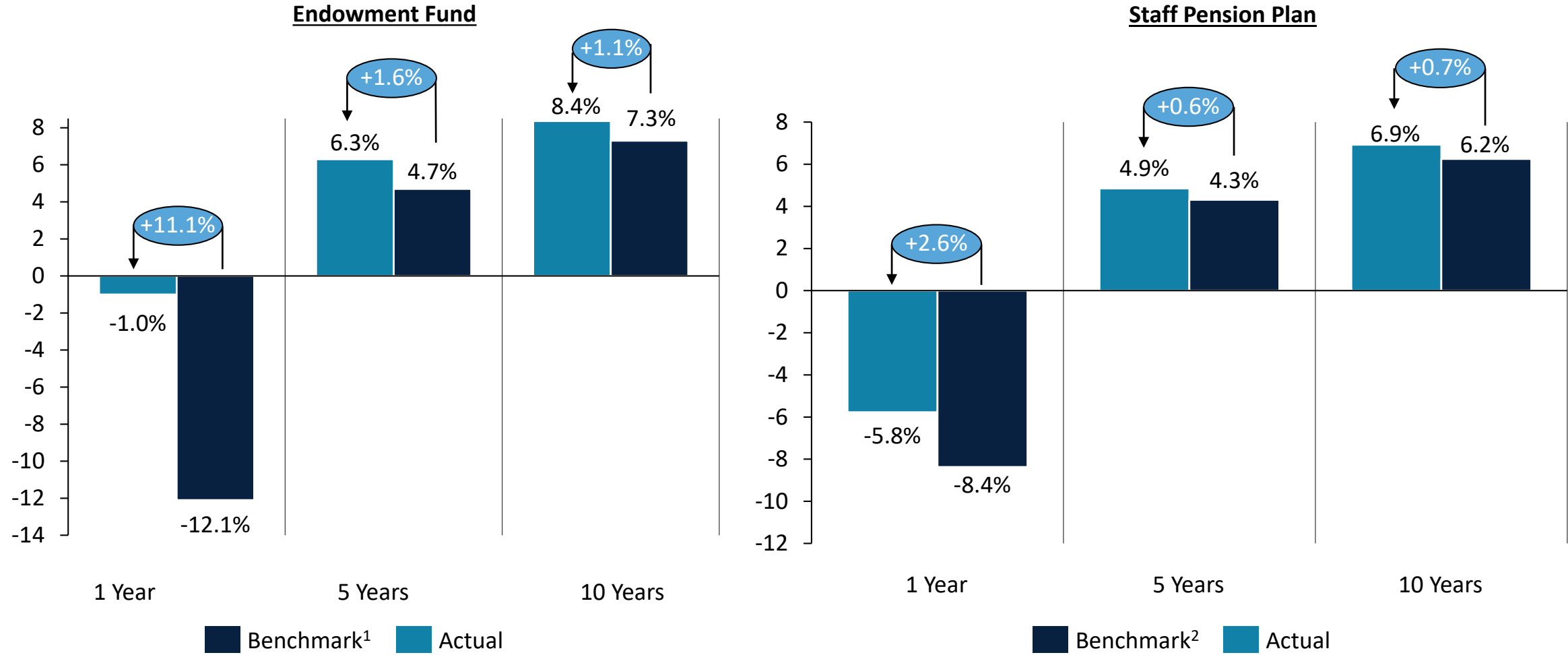
Assets Under Management declined across both the Endowment and SPP Portfolios, driven primarily by negative market returns. UBC's Working Capital Fund experienced modest growth in assets year-over-year. Supplemental Arrangement's has experienced a more significant decline, reflecting its lack of private investments in the fund.



Pool	Opening Balance (\$M)	Closing Balance (\$M)	% Change
Endowment Fund	2,086	2,032	-2.6%
Staff Pension Plan	2,398	2,310	-3.7%
Working Capital Fund	971	975	0.4%
Supplemental Arrangement	132	115	-12.6%

# Performance Summary (as of December 31, 2022)

Portfolio returns remain negative over a one-year period, driven by the drawdown in public equity and fixed income markets through 2022. Relative returns are strong over one-year and five-year periods compared with the benchmark; the SPP's larger losses primarily reflect the fund's exposure to longer maturity fixed income, which has experienced sharp negative returns alongside equity markets.



<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 \$2,032 M

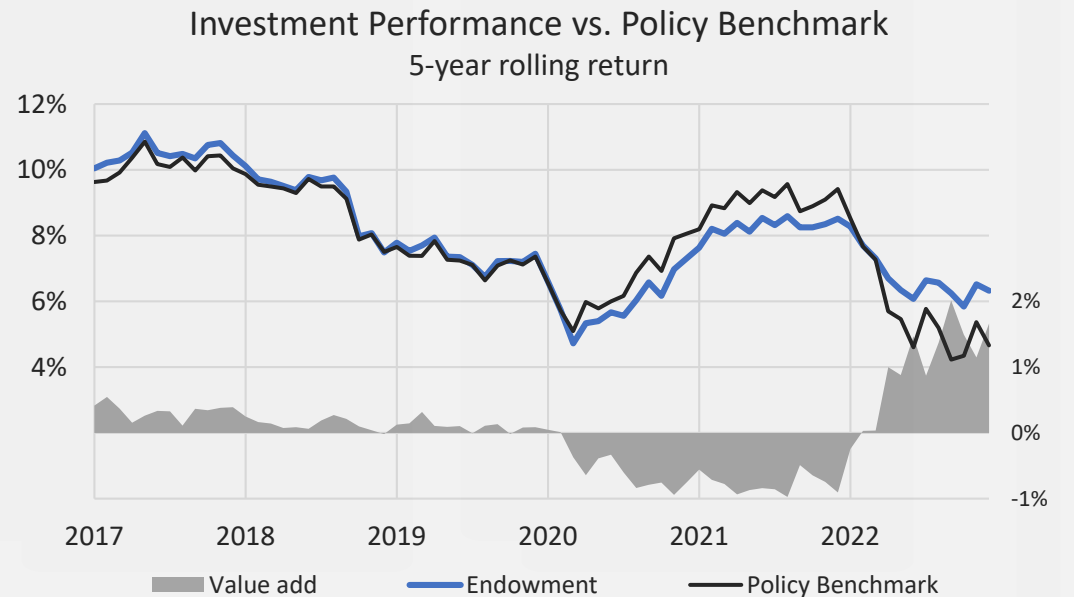
## Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	0.9%	2.0%	-1.2%
Government Bonds	1.4%	3.0%	-1.6%
Public Bonds	0.0%	0.0%	0.0%
Private Debt	8.9%	8.0%	0.9%
UBC Debenture	4.5%	4.5%	0.0%
<b>Total Fixed Income</b>	<b>15.7%</b>	<b>17.5%</b>	<b>-1.8%</b>
Global Equities	29.4%	30.0%	-0.7%
Emerging Equities	14.0%	15.0%	-1.0%
Private Equity	10.6%	10.0%	0.6%
<b>Total Equity</b>	<b>54.0%</b>	<b>55.0%</b>	<b>-1.0%</b>
Real Estate	9.9%	10.0%	-0.1%
Infrastructure Equity	12.6%	10.0%	2.6%
<b>Total Real Assets</b>	<b>22.5%</b>	<b>20.0%</b>	<b>2.5%</b>
Absolute Return Strategies	7.8%	7.5%	0.3%
Multi Asset	0.0%	0.0%	0.0%

## Investment Performance (December 31, 2022)

	Quarter	1-Year	5-Years	10-Years
Required Return	1.4%	11.2%	8.0%	6.8%
Actual Returns	4.0%	-1.0%	6.3%	8.4%
Policy Benchmark <sup>1</sup>	5.8%	-12.1%	4.7%	7.3%
Value Added	-1.8%	11.1%	1.6%	1.0%

<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



# UBC Staff Pension Plan Summary

Market Value **\$2,310 M**

## Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.3%	1.0%	0.3%
Public Long Term Bonds	21.5%	19.0%	2.5%
Infrastructure Debt	5.0%	10.0%	-5.0%
Mortgages	5.9%	5.0%	0.9%
Private Debt	8.0%	7.5%	0.5%
<b>Total Fixed Income</b>	<b>41.6%</b>	<b>42.5%</b>	<b>-0.9%</b>
Canadian Equities	7.4%	7.5%	-0.1%
Global Equities	15.2%	15.0%	0.2%
Emerging Equities	6.8%	7.5%	-0.7%
Private Equity	5.5%	5.0%	0.5%
<b>Total Equity</b>	<b>35.0%</b>	<b>35.0%</b>	<b>0.0%</b>
Real Estate	10.2%	10.0%	0.2%
Infrastructure Equity	13.2%	12.5%	0.7%
<b>Total Real Assets</b>	<b>23.4%</b>	<b>22.5%</b>	<b>0.9%</b>

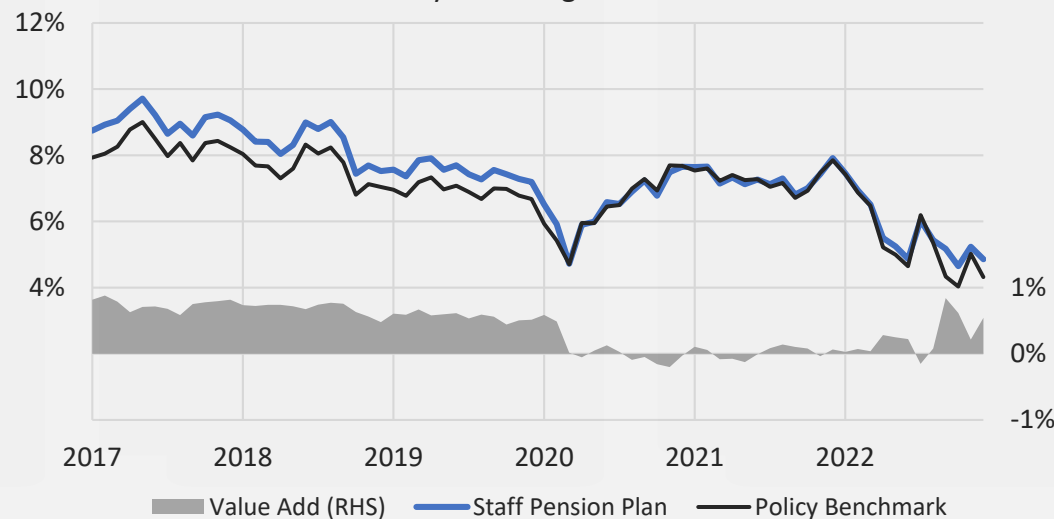
## Investment Performance (December 31, 2022)

	Qtr	1-Yr	5-Yrs	10-Yrs
Discount Rate	6.0%	6.0%	5.9%	6.0%
Actual Returns	2.7%	-5.8%	4.9%	6.9%
Policy Benchmark <sup>1</sup>	4.0%	-8.4%	4.3%	6.2%
Value Added	-1.3%	2.6%	0.6%	0.7%

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

Earlier periods utilize the historical Policy Benchmark

Investment Performance vs. Policy Benchmark  
5-year rolling return

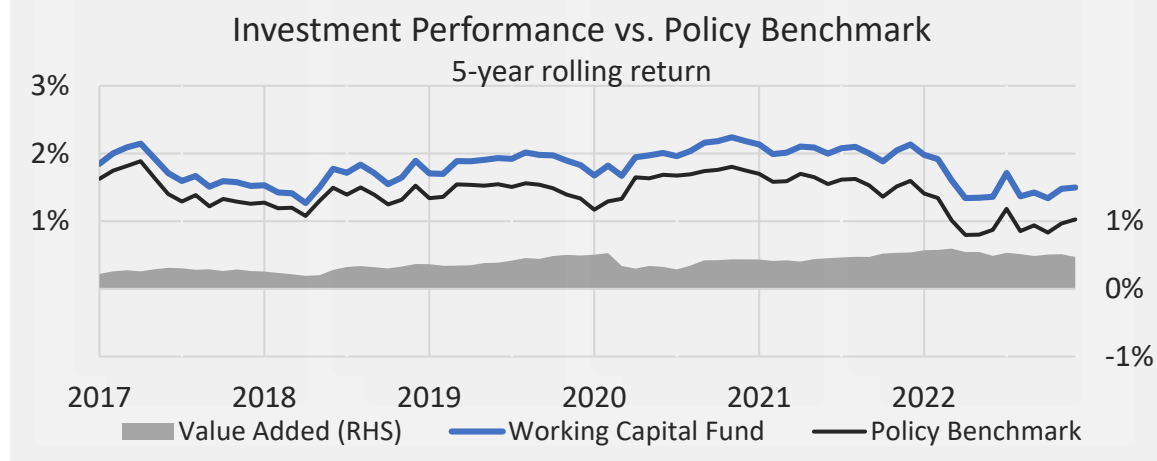




## UBC Working Capital Fund Summary

Market Value	\$975 M			
<b>Asset Mix Summary</b>				
<b>Asset Class</b>	<b>Current Mix</b>			
Money Market	10.9%			
Short Term Bond & Mortgage	60.2%			
Mortgages	28.9%			
<b>Investment Performance (December 31, 2022)</b>				
	<b>Quarter</b>	<b>1-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Actual Returns*	0.7%	-2.9%	1.2%	1.5%
Policy Benchmark	0.7%	-3.2%	0.8%	1.1%
Value Added	0.0%	0.3%	0.4%	0.4%

\* Net of investment management fees.



## Supplemental Arrangement Summary

Market Value	\$115 M			
<b>Asset Mix Summary</b>				
<b>Asset Class</b>	<b>Current Mix</b>	<b>Policy Mix</b>	<b>Overweight/Underweight</b>	
Fixed Income	40.0%	40.0%	0.0%	
Equities	55.0%	50.0%	5.0%	
Real Estate	5.0%	10.0%	-5.0%	
<b>Investment Performance (December 31, 2022)</b>				
	<b>Quarter</b>	<b>1-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Actual Returns*	4.8%	-11.1%	4.2%	6.5%
Policy Benchmark	4.7%	-11.3%	4.3%	6.6%
Value Added	0.1%	0.2%	-0.1%	-0.1%

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

# Responsible Investing Activities

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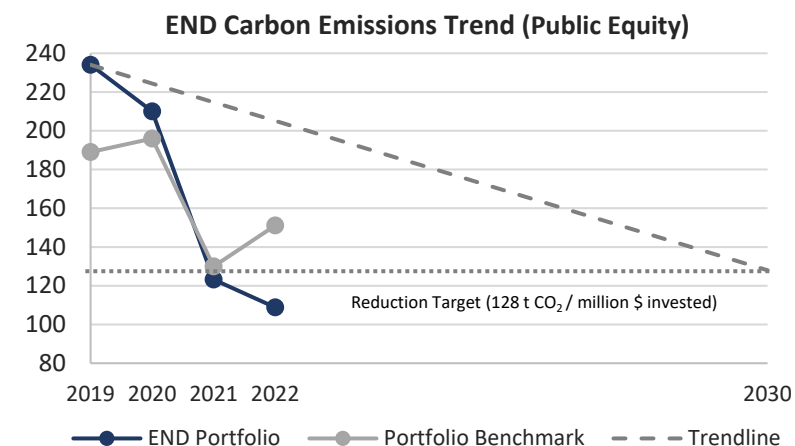
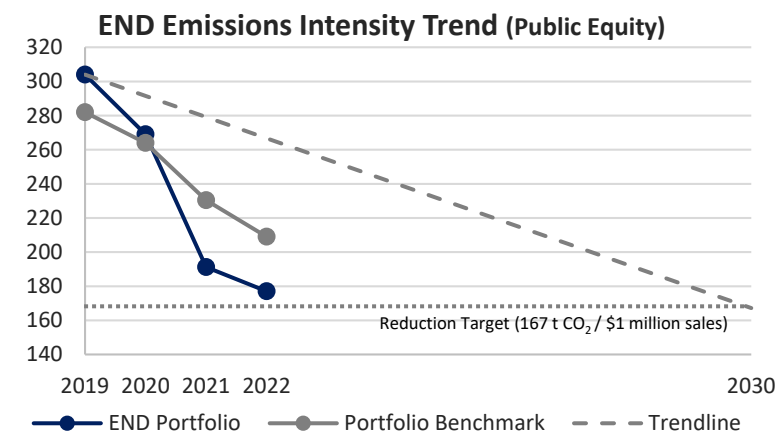
# Responsible Investing Activities

## Climate Measurement & Reporting

- Carbon Footprint<sup>1</sup>: END: 54% below 2019 baseline
- Carbon Intensity<sup>1</sup>: END: 42% below 2019 baseline
- UBC Investment Management has received inaugural PRI reporting results for the 2020 reporting year. Overall, UBC scored strongly on ESG integration at the asset class and manager selection level. Advancements that have occurred over the past two years under UBC Investment Management's Responsible Investing Strategy will be reflected in the next reporting period.

## ESG Integration

- UBC Investment Management completed a full review of its investment managers under its ESG assessment framework. This review is performed annually and is used to track manager progress in ESG integration and to identify areas to engage and influence managers on ESG matters.
- UBC Investment Management announced a USD \$40 million investment in BeyondNetZero, a climate growth equity fund managed by General Atlantic. The fund invests in high-growth businesses that have the potential to combat climate change at scale.



# 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	-54% <sup>1</sup> -42% <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	March 2024	○	

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

☑ Completed

● On-track / exceeded target

● Missed Target

○ Not Started

RESPONSIBLE INVESTING UPDATE