



SUBJECT	UBC Investment Management Quarterly Portfolios Review and Responsible Investing Update
SUBMITTED TO	Finance Committee
MEETING DATE	June 14, 2023
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Frank Laezza, Vice-President Finance & Operations
SUPPORTED BY	Dawn Jia, President and CEO, UBC Investment Management Graham Sheppard, UBC Investment Management

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 March 31, 2023, 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
- Peter Wall Legacy Fund

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 March 31, 2023:

- Public equity and bond markets experienced strong returns in the first quarter of 2023, however the path to higher returns over the quarter was not steady as investor sentiment wavered amidst conflicting market developments.
- Key drivers of positive market returns over the quarter were decelerating inflation data as well as signaling by central banks that they may soon pause further policy rate increases to evaluate the effectiveness of higher interest rates to bring inflation growth back to target levels. Strong equity returns through the first half of Q1 were interrupted in mid-February by a sharp correction driven by the rapid collapse of two regional U.S. banks and a rescue of a systemically important bank in Europe which raised concerns of financial instability and tightening lending conditions across the banking system. However, equity markets rebounded strongly in March as bank contagion concerns dissipated and the U.S. Federal Reserve communicated at its March meeting that further policy interest rate hikes may be limited. Overall, global developed market equities advanced 7.6% in Q1 in Canadian dollar terms while the Canadian bond index rose by 3.2%.

- Investment portfolio returns for the UBC Main Endowment Pool and Staff Pension Plan were positive in the first quarter, returning 3.6% and 3.3% respectively. Both funds underperformed their benchmarks over the quarter, which is expected in an environment where public market returns rise sharply given the funds' exposures to private market investments where investments are marked to market on a lagged basis. The Endowment fund has generated a 12-month return of 4.7% compared to the Reference Portfolio return of -0.3%, while the Staff Pension Plan Portfolio return was 0.9% over the same period, beating the Plan's Investable Policy Benchmark return of -0.8%. Over longer periods, both funds have outperformed their benchmarks over 5-year and 10-year periods.
- Assets Under Management increased modestly across the Endowment, SPP, and Working Capital funds over a one-year period. Assets of the Supplemental Arrangement portfolio declined by 4.8% on account of negative portfolio returns as the portfolio doesn't benefit from the private market exposure of the Endowment and SPP.

Overview of Responsible Investing Activities

UBC Investment Management continues to implement 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 Main Endowment Pool, followed by the development of additional objectives related to Social and Governance factors.

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. In line with UBC's commitment to decrease its portfolio-related carbon emissions in the Main Endowment Pool by 45% by 2030, the Pool's equity portfolio emissions are down 50% on a carbon footprint basis and 46% on an emissions intensity basis compared to the 2019 baseline levels.

Over the most recent quarter, UBC Investment Management released its second annual Responsible Investing Report. The report summarizes responsible investing activities during 2022 on behalf of the funds we manage and the ESG-related objectives of UBC and the UBC Staff Pension Plan. The Report is available on UBC Investment Management's website (www.ubcim.ca) and the release of the Report was shared through UBC's internal communications channels.

UBC Investment Management was also active over the quarter participating with UBC Administration in their responsible investing activities. In January, UBC Investment Management staff presented on behalf of UBC Administration to the Technical Committee of the Canadian University Climate Charter, sharing UBC Investment Management's Responsible Investing Framework, progress toward UBC's responsible investing objectives, recent ESG-integration initiatives, and fielding questions from other Technical Committee members on best practices. Staff have also been active participants, working alongside UBC Treasury and the Office of the University Counsel, in the development of UBC's Statements on Responsible Investing.

PRESENTATIONS

1. Investment Report Q1 2023

Investment Report Q1 2023

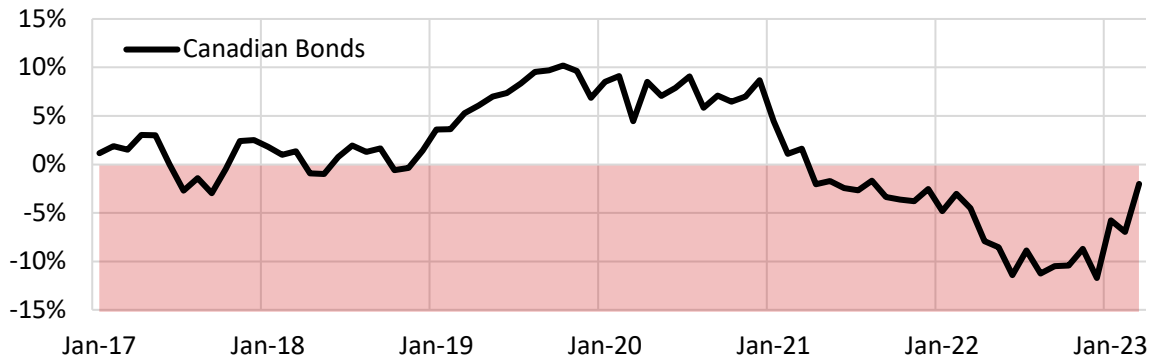
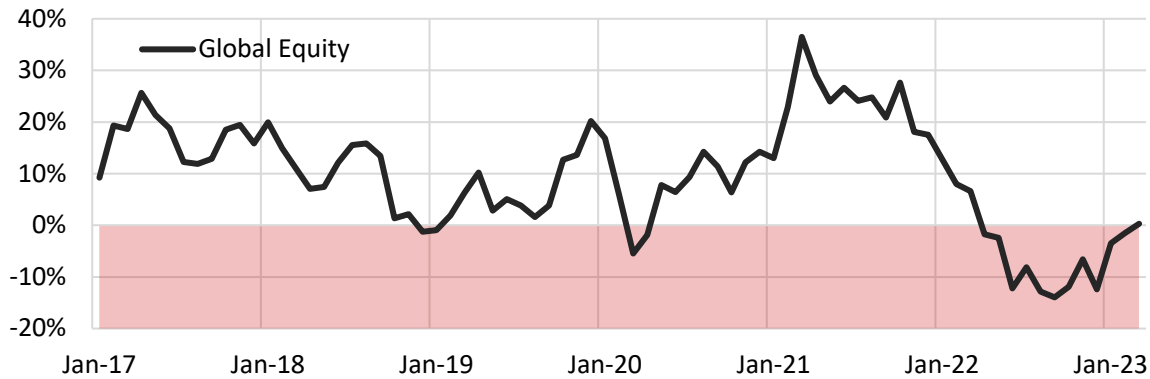
June 14, 2023

Dawn Jia, President & CEO
UBC Investment Management



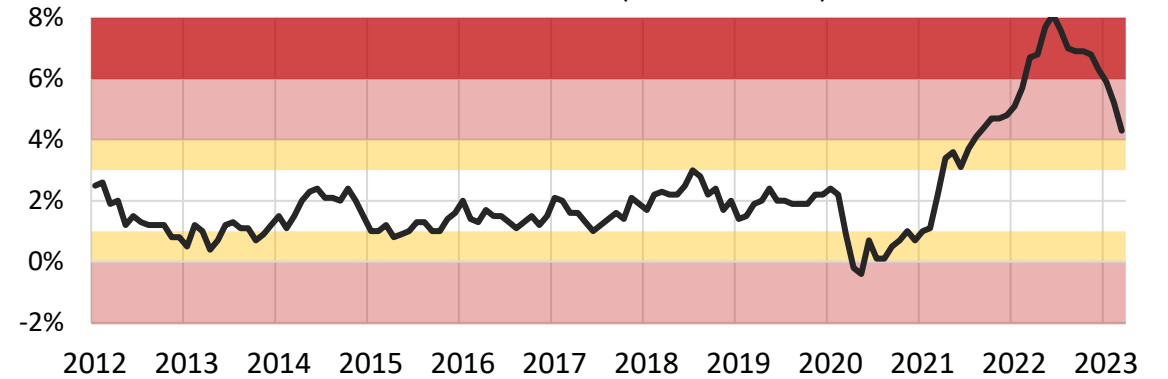
Investment Market Summary

Investment Market Returns (1-Year Rolling Periods)

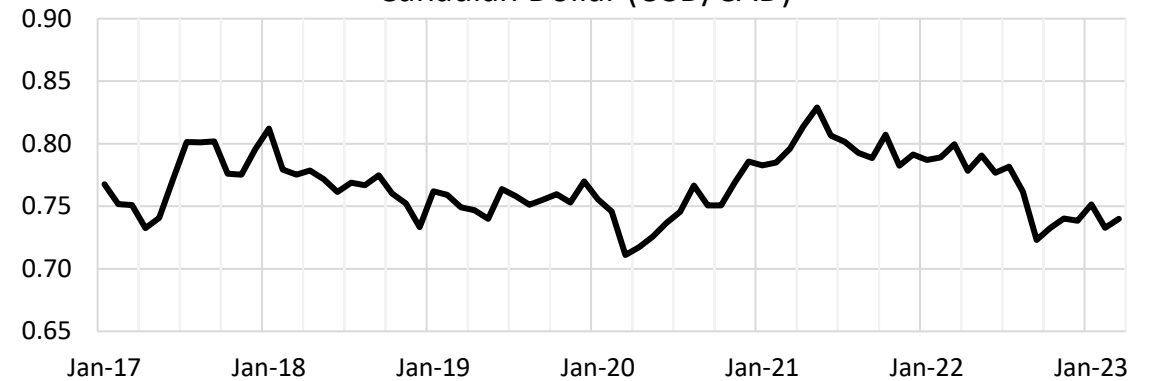


- A rebound in global equity markets continued into Q1 2023 as inflation readings trended lower and economic data was stronger than expected.
- Bond returns were also strong in the quarter, reflecting a decrease in market interest rates as Canadian and U.S. central banks communicated they may pause further policy rate hikes.

Canadian Inflation (Year-over-Year)



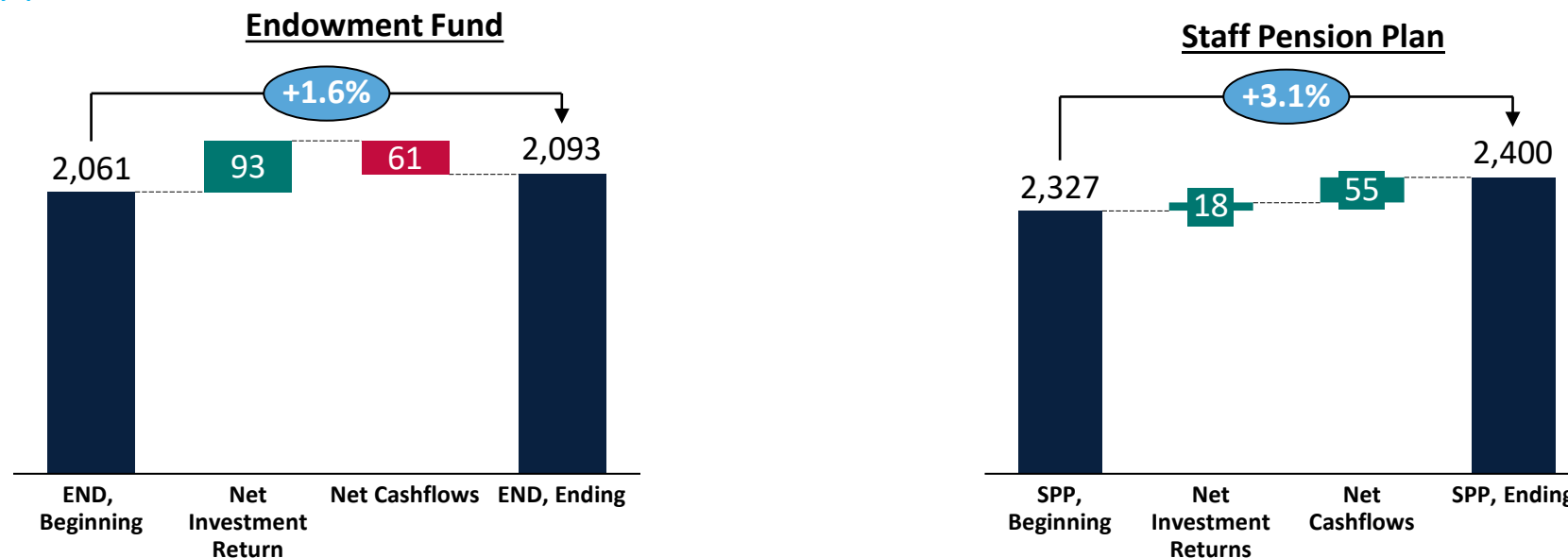
Canadian Dollar (USD/CAD)



- North American inflation readings moved downward significantly over the quarter, however they remain at elevated levels relative to central bank targets of 2%.
- The Canadian dollar has stabilized over the past two quarters after depreciating through the summer of 2022.

Assets Under Management (as of March 31, 2023)

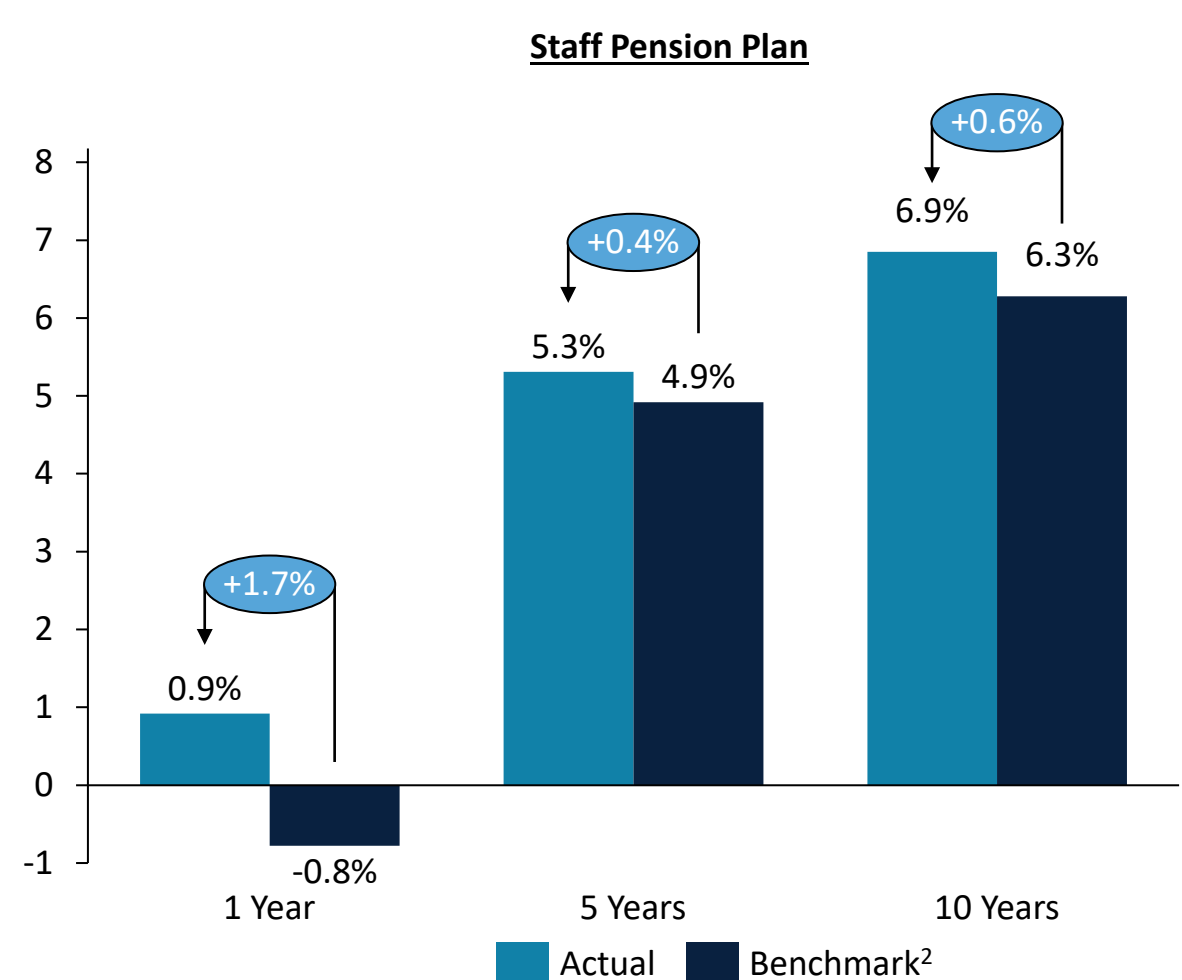
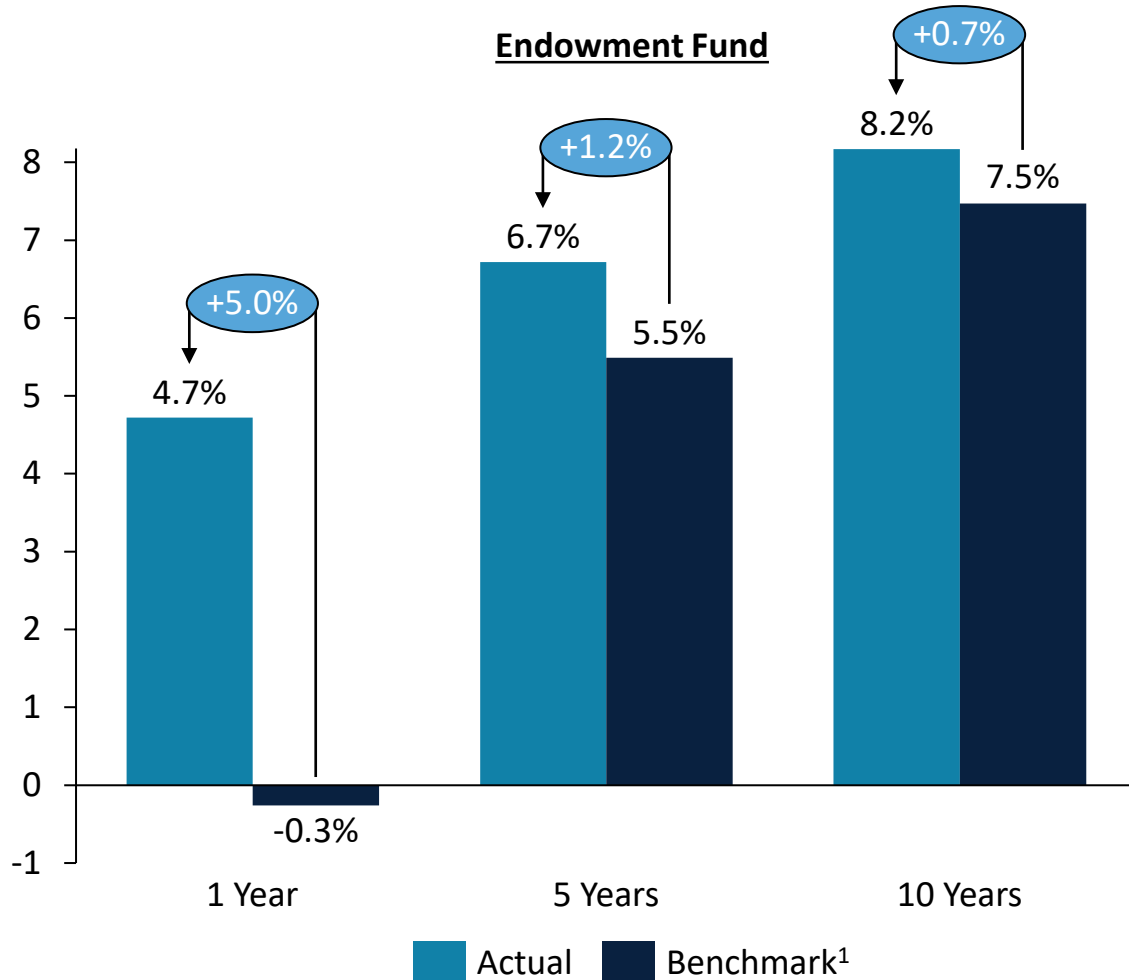
Assets Under Management increased moderately across the Endowment and SPP Portfolios. The Endowment portfolio's AUM growth was driven by solid performance over the period, partially offset by cash outflows, while the Staff Pension Plan's AUM growth was driven primarily by positive net cash flows.



Pool	Opening Balance (\$M) ¹	Closing Balance (\$M) ²	% Change
Endowment Fund	2,061	2,093	1.6%
Staff Pension Plan	2,327	2,400	3.1%
Working Capital Fund	1,092	1,098	0.5%
Supplemental Arrangement	124	118	-4.8%
Peter Wall Legacy Fund	-	94	-

Performance Summary (as of March 31, 2023)

One-year returns for both the Endowment and SPP Portfolio have turned positive on account of rebounding equity markets, with the SPP returns being lower than the Endowment due to its exposure to long term bonds. Both the Endowment and SPP portfolios have outperformed their benchmarks over 1-year, 5-year and 10-year periods.



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

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

Endowment Fund Summary

Market Value **\$2,093 M**

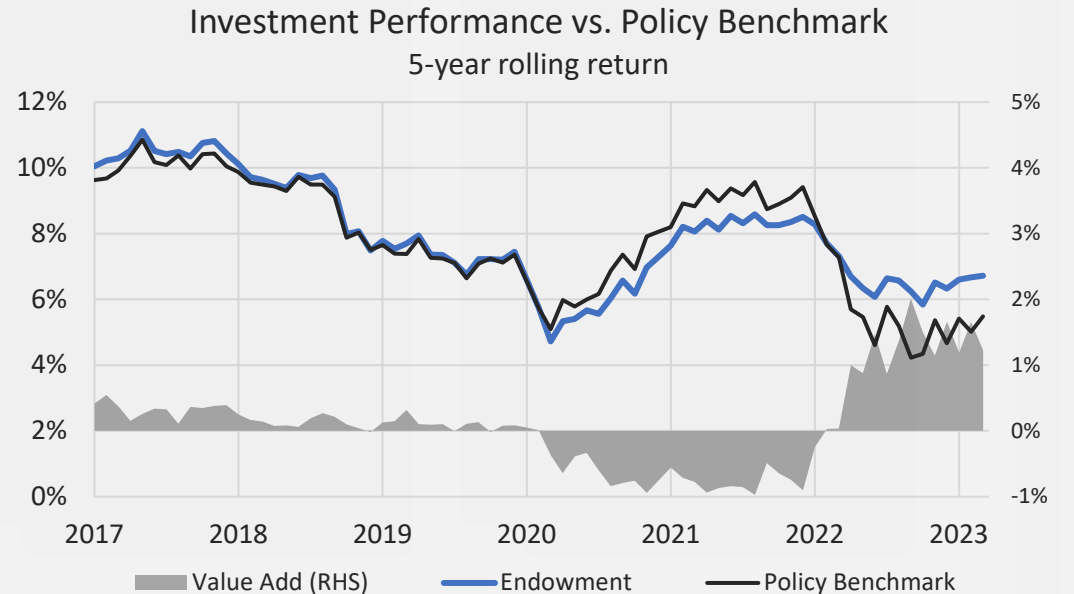
Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.3%	2.0%	-0.7%
Government Bonds	2.3%	3.0%	-0.7%
Private Debt	9.0%	8.0%	1.0%
UBC Debenture	4.3%	4.5%	-0.2%
Total Fixed Income	16.9%	17.5%	-0.6%
Global Equities	30.5%	30.0%	0.5%
Emerging Equities	14.7%	15.0%	-0.3%
Private Equity	10.4%	10.0%	0.4%
Total Equity	55.6%	55.0%	0.6%
Real Estate	9.4%	10.0%	-0.6%
Infrastructure Equity	11.0%	10.0%	1.0%
Total Real Assets	20.4%	20.0%	0.4%
Absolute Return Strategies	7.1%	7.5%	-0.4%

Investment Performance (March 31, 2023)

	Quarter	1-Year	5-Years	10-Years
Required Return	2.6%	9.1%	8.0%	6.8%
Actual Returns	3.6%	4.7%	6.7%	8.2%
Policy Benchmark ¹	6.0%	-0.3%	5.5%	7.5%
Value Added	-2.4%	5.0%	1.2%	0.7%

¹ 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 **\$2,400 M**

Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.4%	1.0%	0.4%
Public Long Term Bonds	21.5%	19.0%	2.5%
Infrastructure Debt	4.8%	10.0%	-5.2%
Mortgages	5.8%	5.0%	0.8%
Private Debt	8.1%	7.5%	0.6%
Total Fixed Income	41.6%	42.5%	-0.9%
Canadian Equities	7.4%	7.5%	-0.1%
Global Equities	15.6%	15.0%	0.6%
Emerging Equities	7.6%	7.5%	0.1%
Private Equity	5.3%	5.0%	0.3%
Total Equity	36.0%	35.0%	1.0%
Real Estate	9.7%	10.0%	-0.3%
Infrastructure Equity	12.7%	12.5%	0.2%
Total Real Assets	22.4%	22.5%	-0.1%

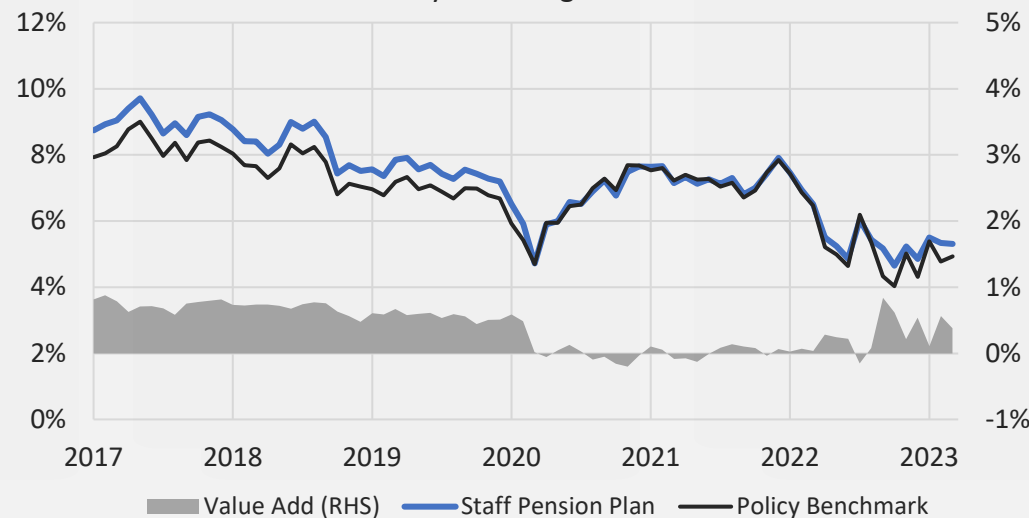
Investment Performance (March 31, 2023)

	Qtr	1-Yr	5-Yrs	10-Yrs
Discount Rate	6.0%	6.0%	6.0%	6.0%
Actual Returns	3.3%	0.9%	5.3%	6.9%
Policy Benchmark ¹	4.0%	-0.8%	4.9%	6.3%
Value Added	-0.7%	1.7%	0.4%	0.6%

¹ Policy Benchmark performance comprised of Investable Policy Benchmark as of July 1, 2022.

Earlier periods utilize the historical Policy Benchmark

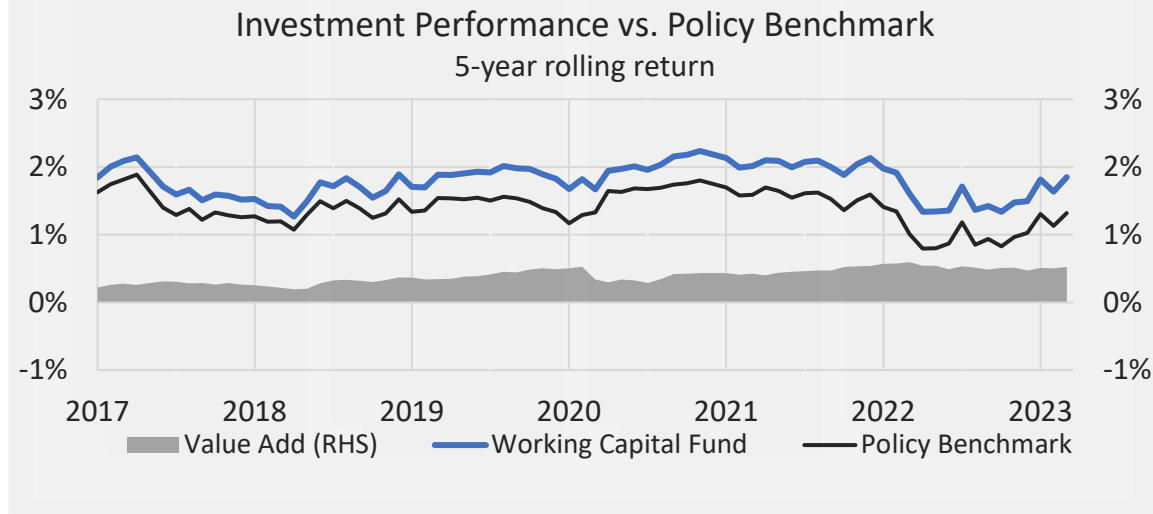
Investment Performance vs. Policy Benchmark
5-year rolling return



UBC Working Capital Fund Summary

Market Value	\$1,098 M			
Asset Mix Summary				
Asset Class	Current Mix			
Money Market	19.0%			
Short Term Bond & Mortgage	54.6%			
Mortgages	26.4%			
Investment Performance (March 31, 2023)				
	Quarter	1-Year	5-Year	10-Year
Actual Returns*	2.1%	1.4%	1.9%	1.6%
Policy Benchmark	1.7%	1.0%	1.3%	1.3%
Value Added	0.4%	0.4%	0.5%	0.4%

* Net of investment management fees.



Supplemental Arrangement Summary

Market Value	\$118 M			
Asset Mix Summary				
Asset Class	Current Mix	Policy Mix	Overweight/Underweight	
Fixed Income	39.5%	40.0%	-0.5%	
Equities	55.5%	50.0%	5.5%	
Real Estate	5.0%	10.0%	-5.0%	
Investment Performance (March 31, 2023)				
	Quarter	1-Year	5-Year	10-Year
Actual Returns*	4.4%	-2.9%	5.1%	6.5%
Policy Benchmark	4.4%	-2.6%	5.2%	6.6%
Value Added	-0.1%	-0.2%	-0.1%	-0.1%

* Net of Sun Life administration and investment management fees.

Peter Wall Legacy Fund Summary

Market Value	\$94 M			
Asset Mix Summary				
Asset Class	Current Mix	Policy Mix	Overweight/Underweight	
Fixed Income	31.7%	30.0%	1.7%	
Equities	68.3%	70.0%	-1.7%	
Investment Performance (March 31, 2023)				
	Quarter	1-Year	5-Year	10-Year
Actual Return	1.8%	-	-	-
Policy Benchmark*	6.0%	-	-	-
Value Added	-4.2%	-	-	-

* Policy Benchmark comprised of Reference Portfolio

Responsible Investing Activities

Responsible Investing Activities

Climate Measurement & Reporting

- Carbon Footprint¹: END: 50% below 2019 baseline
- Carbon Intensity¹: END: 46% below 2019 baseline
- UBC Investment Management released its second annual Responsible Investing Report in April. The report summarizes responsible investing activities during 2022 in support of the ESG-related objectives of UBC and the UBC Staff Pension Plan. The report is available on UBC Investment Management’s website.

Leadership

- UBC Investment Management Staff presented to the Canadian University Climate Charter Technical Committee in January, sharing UBC Investment Management’s Responsible Investing Framework, recent ESG-integration initiatives and progress toward UBC’s Responsible Investing objectives.
- UBC Investment Management worked alongside UBC Administration in the development of UBC’s Statements on Responsible Investing



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	1.7% ¹	
Carbon Footprint	Total Emissions - Tonnes CO2 / \$ million invested Intensity - Tonnes CO2 / \$ million sales revenue	45% Reduction from Baseline	2030	-50% ¹ -46% ¹	
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	○	

¹ December 31, 2022 holdings

- On-track / exceeded target
- Missed Target
- Not Started

RESPONSIBLE INVESTING UPDATE