



SUBJECT	UBC Investment Management Q1 2023-2024 Investment Report
SUBMITTED TO	Finance Committee
MEETING DATE	September 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 & 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 June 30, 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 June 30, 2023:

- Global equity markets continued to experience robust gains through the first half of 2023, reflecting surprising resilience of economic activity amid a higher interest rate environment and cooling inflation pressures. However, bond markets have remained volatile as investors price in expectations that higher central bank policy rates may persist longer than previously thought.
- Similar to last quarter, the key drivers of positive equity market returns were decelerating inflation data and stronger risk sentiment as the global economy and corporate earnings have fared better than what was anticipated in 2022. In developed markets, U.S. indexes, and in particular the technology sector, performed strongly in Q2, with a handful of stocks accountable for a large portion of the performance as optimism around artificial intelligence builds. Performance within Emerging Markets economies was mixed but underperformance in China held back index returns in the quarter. In fixed income markets, solid economic activity through the first half of 2023 prompted several central banks, including the Bank of Canada, to continue raising policy interest rates. This had a negative impact on bond prices as market participants increased expectations that interest rates may remain elevated through 2024. Overall, global developed market equities advanced 4.5% in Q2 in Canadian dollar terms while the Canadian bond index generated a -0.7% return over the quarter.

- The UBC Main Endowment Pool and Staff Pension Plan posted positive performance for a third consecutive quarter, generating investment portfolio returns of 0.5% and 1.0%, respectively for the three months ended June 30, 2023. Both funds underperformed their benchmarks over the quarter. During periods where public market returns rise sharply, which has been the case in recent quarters, it is expected that the performance of the Main Endowment Pool and Staff Pension Plan portfolios will lag the benchmark return owing to the portfolios' substantial private market investments. The Endowment fund has generated a 12-month return of 10.4% compared to the Reference Portfolio return of 14.5%, while the Staff Pension Plan Portfolio return was 8.0% over the same period, outpacing the Plan's Investable Policy Benchmark return of 7.3%. Both funds continue to outperform their benchmarks over 5-year and 10-year periods.
- Assets Under Management have grown across the Endowment, SPP, and Supplemental Arrangement funds over the last twelve months, principally owing to positive investment returns that reflect the rebound in broad market returns. The size of the Working Capital Fund has decreased by approximately 8% on a year-over-year basis as withdrawals from the portfolio to fund operating needs have outpaced deposit inflows into the fund and investment returns.

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 non-climate factors.

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 integration, internal processes in assessing and monitoring our external investment managers and portfolio carbon emissions 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 55% on a carbon footprint basis and 53% on an emissions intensity basis compared to the 2019 baseline levels. Compared to the benchmarks for the public equity portfolio, the Main Endowment Pool's equity holdings have a 24% lower carbon emissions intensity (carbon emissions produced to generate \$1 million of revenue).

Over the most recent quarter, UBC Investment Management continued worked with UBC Treasury and the Office of the University Counsel to finalize UBC's Statements on Responsible Investing and align the Main Endowment Pool's Statement of Investment Policy with the Statements. UBC Investment Management has also recently completed a review of leading data vendors to assess industry progress on the availability and quality of climate, social and governance reporting metrics that align with UBC's responsible investing priorities. While data coverage and comparability across reporting entities for non-climate ESG metrics are materially behind carbon emissions measures, UBC Investment Management is working to develop an initial set of measures to monitor our managed portfolios.

PRESENTATIONS

1. UBC Investment Management Q1 2023-2024 Investment Report

UBC Investment Management Q1 2023-2024 Investment Report

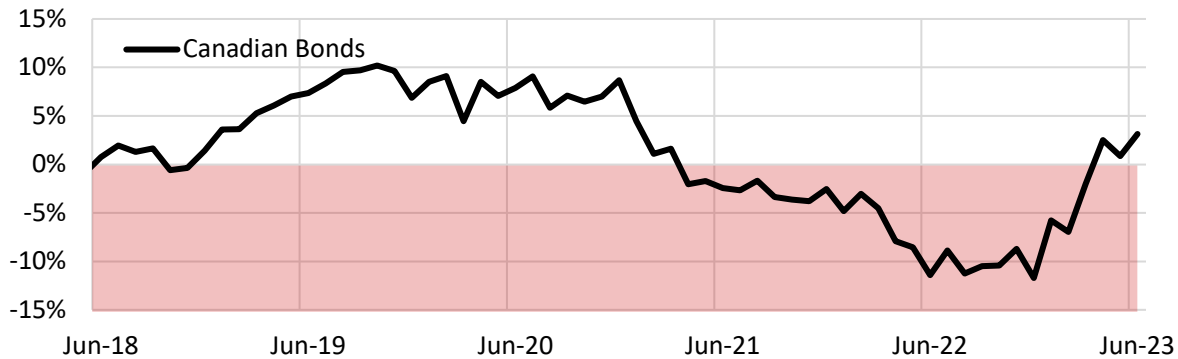
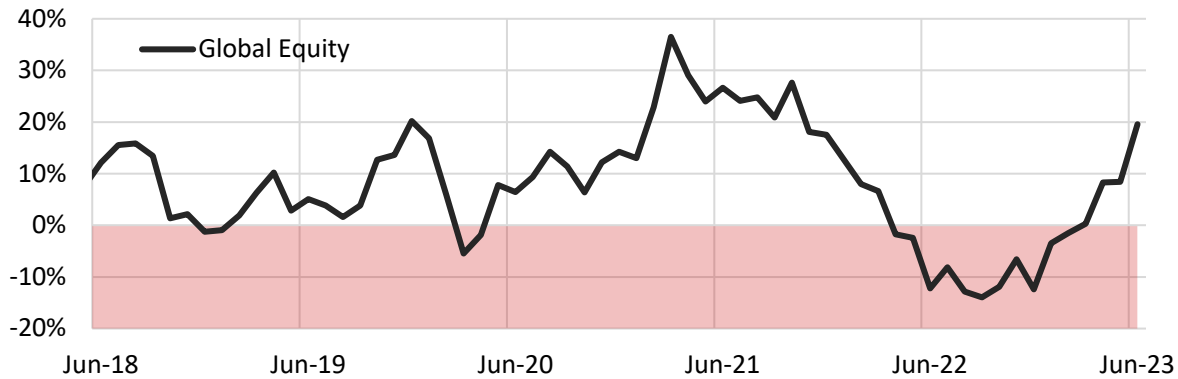
September 14, 2023

Dawn Jia, President & CEO
UBC Investment Management



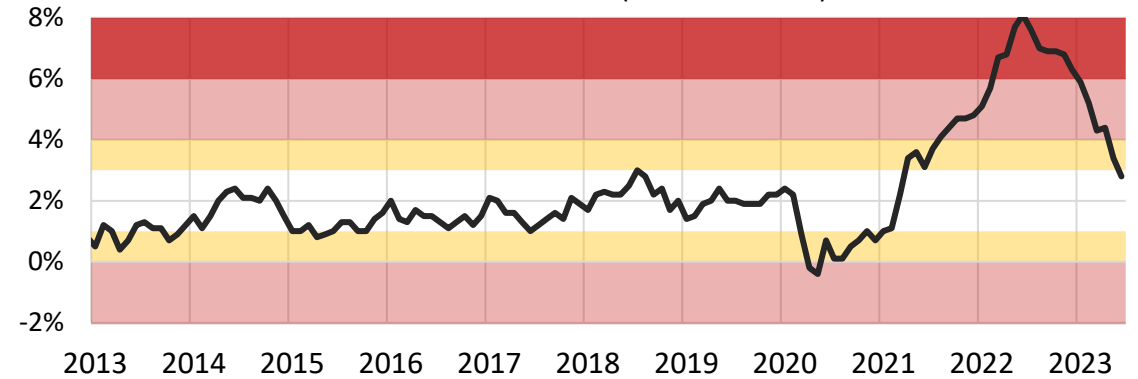
Investment Market Summary

Investment Market Returns (1-Year Rolling Periods)

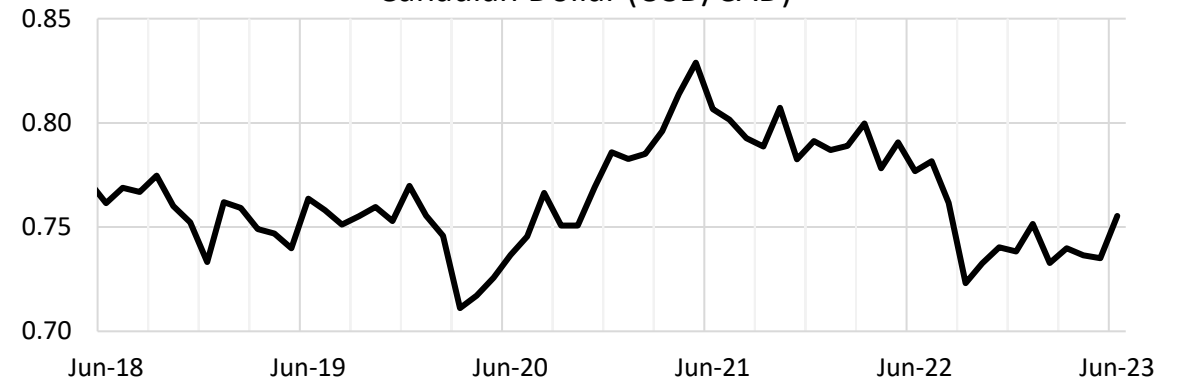


- Equity markets have experienced a strong rebound over the last year, spurred by decreasing inflation figures and solid economic data.
- Bond returns have remained volatile on account of interest rate movements through Q2 but have turned positive on a 12-month basis for the first time since mid-2021.

Canadian Inflation (Year-over-Year)



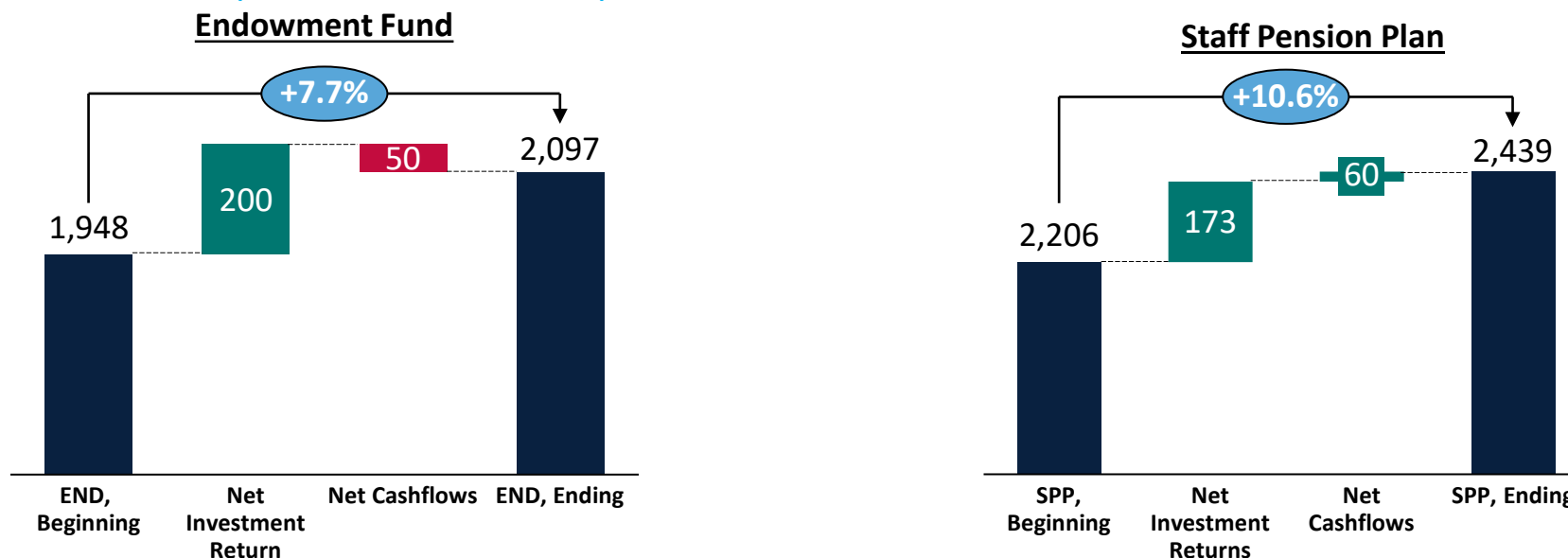
Canadian Dollar (USD/CAD)



- North American inflation readings continue to trend lower. However central banks have kept policy rates high and remain focused on bringing inflation rates back to their 2% target.
- The Canadian dollar has been generally stable over the last few quarters after depreciating in late-2022.

Assets Under Management (as of June 30, 2023)

Assets Under Management increased across the Endowment and SPP Portfolios, driven primarily by investment returns. The growth from returns was partially offset by cash outflows in the Endowment, while the Staff Pension Plan's growth was boosted by net inflows. The Working Capital Fund has experienced increased operational cash flow draws in the first half of 2023.

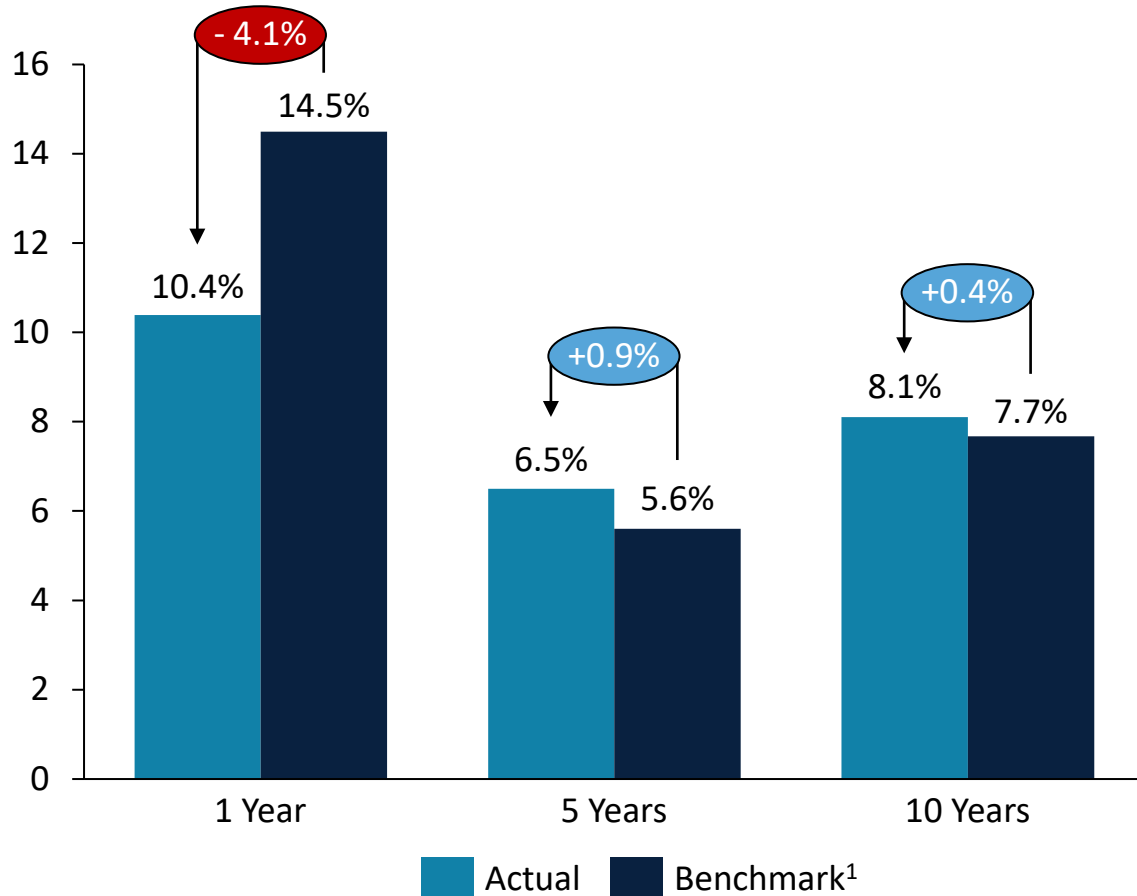


Pool	Opening Balance (\$M) ¹	Closing Balance (\$M) ²	% Change
Endowment Fund	1,948	2,097	7.7%
Staff Pension Plan	2,206	2,439	10.6%
Working Capital Fund	1,015	932	-8.2%
Supplemental Arrangement	110	118	7.8%
Peter Wall Legacy Fund	-	95	-

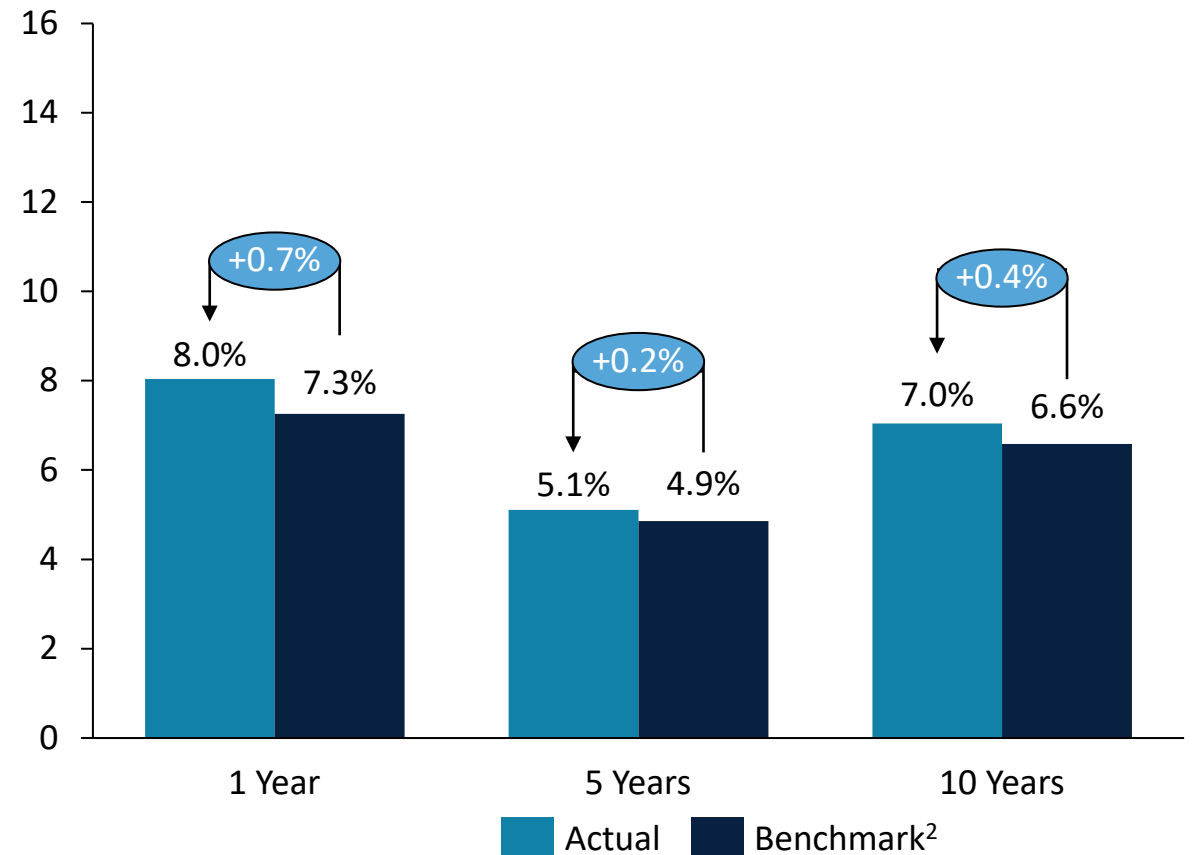
Performance Summary (as of June 30, 2023)

One-year returns for the Endowment and SPP Portfolio were strong, with public equity, infrastructure and private credit contributing strongly. The Endowment has outperformed its benchmark over 5 and 10-year horizons, while negative short term relative performance reflects the Reference Portfolio's higher exposure to public equity. The SPP portfolio outperformed the benchmark across each period.

Endowment Fund



Staff Pension Plan



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 **\$2,097 M**

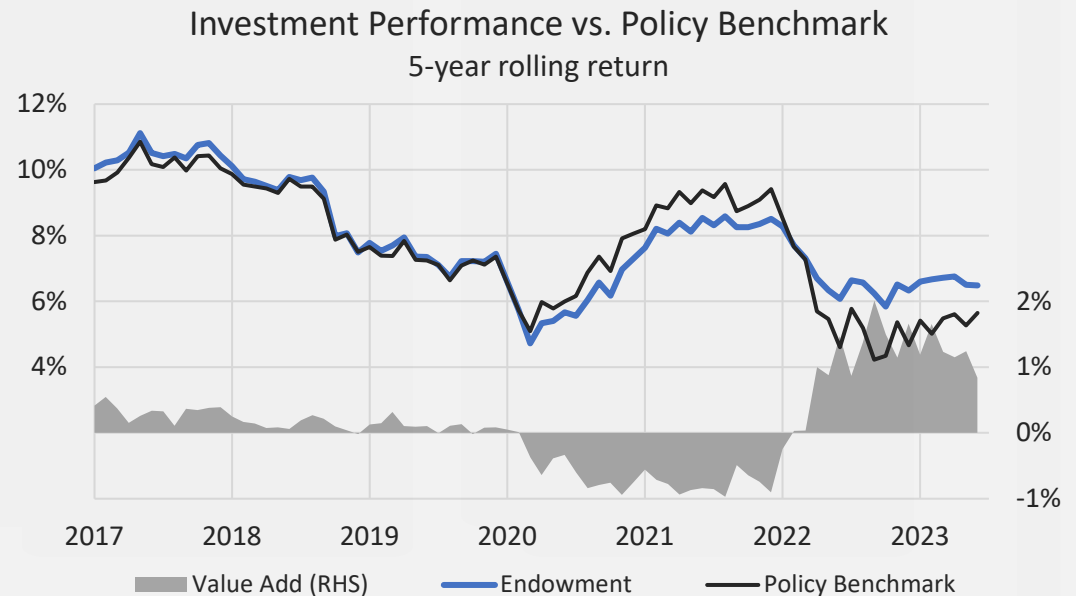
Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.2%	2.0%	-0.8%
Government Bonds	2.3%	3.0%	-0.7%
Private Debt	9.4%	8.0%	1.4%
UBC Debenture	4.4%	4.5%	-0.1%
Total Fixed Income	17.2%	17.5%	-0.3%
Global Equities	31.4%	30.0%	1.4%
Emerging Equities	14.6%	15.0%	-0.4%
Private Equity	10.2%	10.0%	0.2%
Total Equity	56.1%	55.0%	1.1%
Real Estate	8.9%	10.0%	-1.1%
Infrastructure Equity	11.3%	10.0%	1.3%
Total Real Assets	20.3%	20.0%	0.3%
Absolute Return Strategies	6.4%	7.5%	-1.1%

Investment Performance (June 30, 2023)

	Quarter	1-Year	5-Years	10-Years
Required Return	2.4%	7.6%	8.1%	6.9%
Actual Returns	0.5%	10.4%	6.5%	8.1%
Policy Benchmark ¹	2.5%	14.5%	5.6%	7.7%
Value Added	-2.0%	-4.1%	0.9%	0.4%

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 **\$2,439 M**

Asset Mix Summary

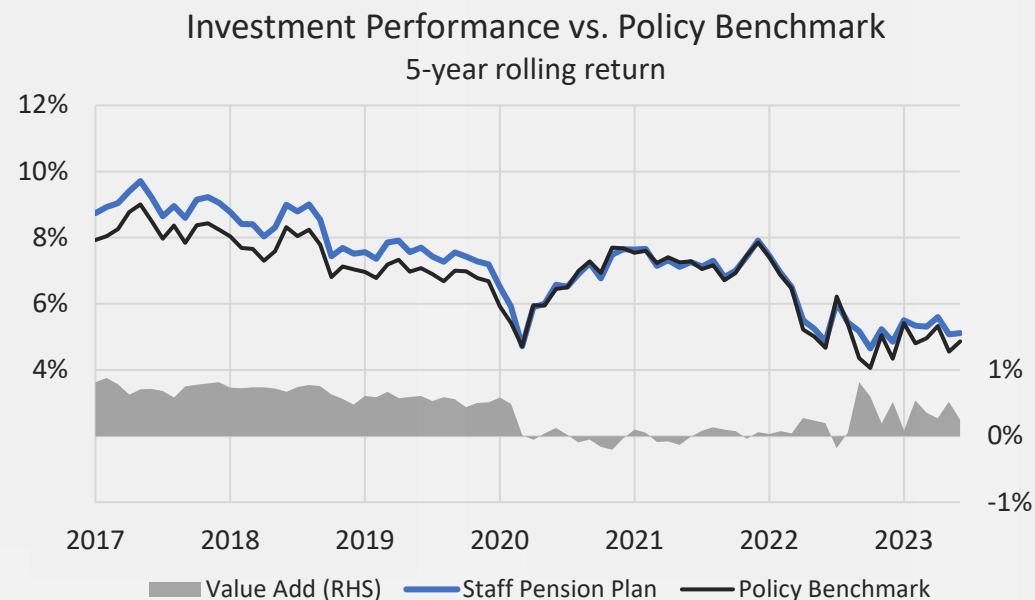
Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.7%	1.0%	0.7%
Public Long Term Bonds	21.4%	19.0%	2.4%
Infrastructure Debt	4.6%	10.0%	-5.4%
Mortgages	5.7%	5.0%	0.7%
Private Debt	8.4%	7.5%	0.9%
Total Fixed Income	41.8%	42.5%	-0.7%
Canadian Equities	7.4%	7.5%	-0.1%
Global Equities	16.0%	15.0%	1.0%
Emerging Equities	7.4%	7.5%	-0.1%
Private Equity	5.1%	5.0%	0.1%
Total Equity	36.0%	35.0%	1.0%
Real Estate	9.1%	10.0%	-0.9%
Infrastructure Equity	13.1%	12.5%	0.6%
Total Real Assets	22.2%	22.5%	-0.3%

Investment Performance (June 30, 2023)

	Quarter	1-Year	5-Years	10-Years
Required Return	2.2%	6.9%	7.4%	6.4%
Actual Returns	1.0%	8.0%	5.1%	7.0%
Policy Benchmark ¹	1.3%	7.3%	4.9%	6.6%
Value Added	-0.3%	0.7%	0.2%	0.4%

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

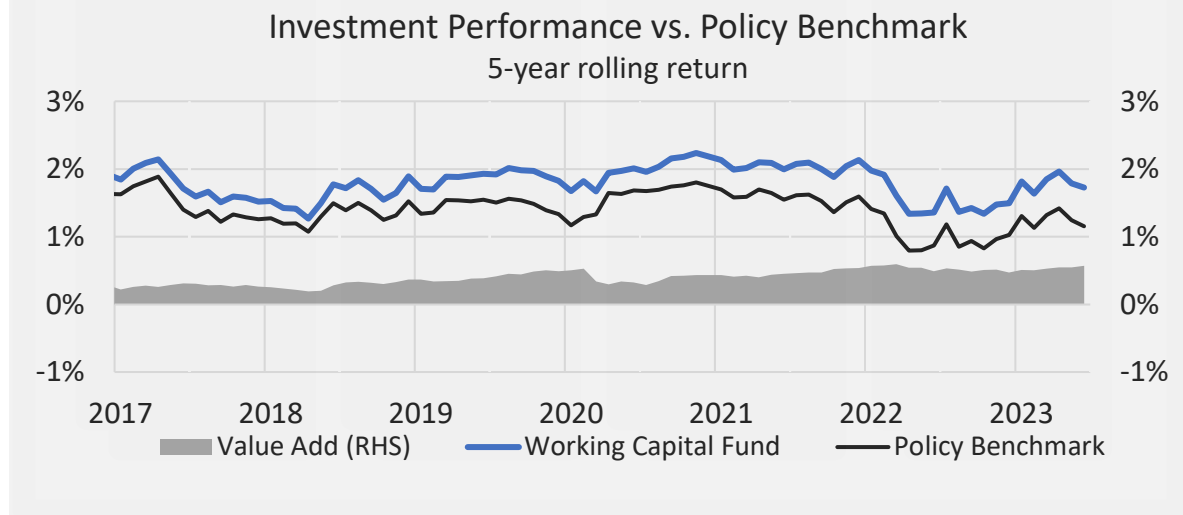
Earlier periods utilize the historical Policy Benchmark



UBC Working Capital Fund Summary

Market Value	\$932 M			
Asset Mix Summary				
Asset Class	Current Mix			
Money Market	17.3%			
Short Term Bond & Mortgage	51.7%			
Mortgages	31.0%			
Investment Performance (June 30, 2023)				
	Quarter	1-Year	5-Year	10-Year
Actual Returns*	-0.1%	2.8%	1.7%	1.8%
Policy Benchmark	-0.5%	1.7%	1.2%	1.3%
Value Added	0.4%	1.1%	0.6%	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	39.7%	40.0%	-0.3%	
Equities	55.3%	50.0%	5.3%	
Real Estate	5.0%	10.0%	-5.0%	
Investment Performance (June 30, 2023)				
	Quarter	1-Year	5-Year	10-Year
Actual Returns*	1.3%	10.0%	4.8%	6.8%
Policy Benchmark	1.3%	10.1%	4.9%	6.9%
Value Added	0.0%	-0.2%	-0.1%	-0.1%

* Net of Sun Life administration and investment management fees.

Peter Wall Legacy Fund Summary

Market Value	\$95 M			
Asset Mix Summary				
Asset Class	Current Mix	Policy Mix	Overweight/Underweight	
Fixed Income	32.6%	30.0%	2.6%	
Equities	67.4%	70.0%	-2.6%	
Investment Performance (June 30, 2023)				
	Quarter	1-Year	5-Year	10-Year
Actual Return	0.9%	-	-	-
Policy Benchmark*	2.5%	-	-	-
Value Added	-1.5%	-	-	-

* Policy Benchmark comprised of Reference Portfolio

Responsible Investing Activities

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	1.4% ¹	
Carbon Footprint	Total Emissions - Tonnes CO2 / \$ million invested Intensity - Tonnes CO2 / \$ million sales revenue	45% Reduction from Baseline	2030	-55% ¹ -53% ¹	
Carbon Footprint	Expand carbon emissions reporting to include public bonds	n/a	March 2024	●	
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 2024	●	
Affiliations & Memberships	Number of affiliations maintained	3	Ongoing	●	
Leadership	Publication of Responsible Investing Report	n/a	May 2023	●	
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 2024	●	
Enhance Public Reporting	Establish reporting for UBC funds consistent with TCFD recommendations	n/a	March 2024	○	

¹ March 31, 2023 holdings

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

RESPONSIBLE INVESTING UPDATE