



SUBJECT	UBC Investment Management Q2 2023-2024 Investment Report
SUBMITTED TO	Finance Committee
MEETING DATE	November 20, 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 September 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 September 30, 2023:

- Global equity markets lost some steam in the third quarter of 2023, following a strong first half of the calendar year. Strong investor sentiment was evident in July following the resolution of the U.S. debt ceiling standoff, leading to sizable returns in the month in both developed and emerging markets. However, since then, steadily rising long term interest rates have dampened investor risk appetite as market participants align with the view that central bank policy makers are likely to maintain higher interest rates for a longer period than previously thought. This had a particularly negative impact on interest rate sensitive stocks, including growth companies that had been driving strong market performance earlier in 2023. Developed and emerging market index returns were negative in both August and September, more than offsetting the strong returns in July. Despite the month-to-month volatility, the broad global equity index has generated a total return of approximately 20% compared to year-ago levels when equity markets were near their 2022 lows.
- In fixed income markets, the rise in longer-maturity interest rates had a significantly negative impact on public bond market returns. In Canada, the broad universe bond index fell by 3.9% over the quarter, while the long term bond index – which is more sensitive to changes in interest rates – lost 9.5% in the three months ended September 30th. Underlying the rise in longer term interest rates is the growing view that the rise in central bank policy rates to date may not be enough to quickly bring inflation back to the target level of 2%. This may lead to interest rates being “higher for longer” which is being priced into fixed income markets.

- The UBC Main Endowment Pool posted positive performance for a third consecutive quarter, generating investment returns of 1.6% over the quarter ended September 30, 2023. The Staff Pension Plan returned -1.6% over the quarter, with negative performance driven principally by exposure to long maturity bonds. Returns for both the Endowment and Staff Pension Plan significantly outperformed their benchmarks over the 3-month period by 3.7% and 3.1%, respectively. Outperformance was generated across nearly every asset class, with private assets performing particularly well over the period. The Endowment fund has generated a 12-month return of 10.1% compared to the Reference Portfolio return of 12.5%, while the Staff Pension Plan Portfolio return was 5.4% over the same period, outpacing the Plan's Investable Policy Benchmark return of 4.3%. 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, primarily owing to positive investment returns. The size of the Working Capital Fund has decreased by approximately 10% 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 be on track in meeting our Responsible Investing 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 58% on a carbon footprint basis and 52% 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 20% lower carbon emissions intensity (carbon emissions produced to generate \$1 million of revenue).

Over the most recent quarter, UBC Investment Management completed annual reporting requirements of the PRI, in which UBC Investment Management is a signatory on behalf of UBC. The annual reporting requirements are rigorous and require significant effort from staff to complete on behalf of the university and the UBC Staff Pension Plan. Results of the annual reporting are expected to be received by calendar year-end. UBC Investment Management has also begun preliminary work to develop climate risk management reporting in line with the Task Force for Climate-Related Financial Disclosures (TCFD). This reporting is expected to be included in UBC Investment Management's 2024 Responsible Investing Report.

PRESENTATIONS

1. UBC Investment Management Investment Report Q2 2023-2024



UBC Investment Management Investment Report Q2 2023-2024

November 20, 2023

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



UBC Investment Management 2023 Annual Report

In October, UBC Investment Management released our 2023 Annual Report, including:

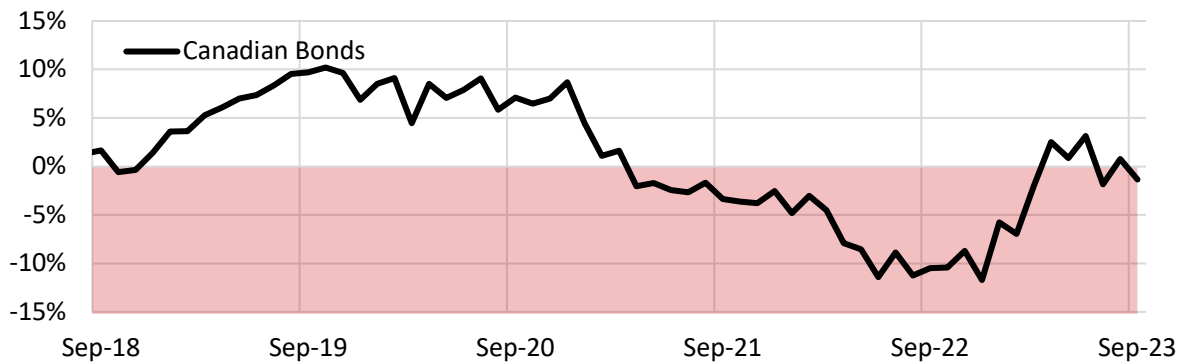
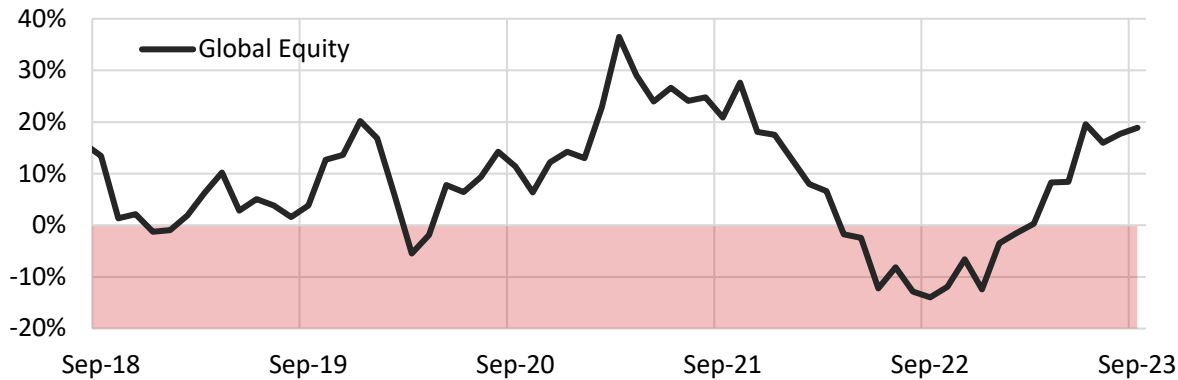
- Update on progress towards our corporate strategy
- Investment performance highlights
- Summary of Responsible Investing activities
- Details our investment framework, process, and approach to risk management

The report is available on UBC Investment Management's website (www.ubcim.ca)



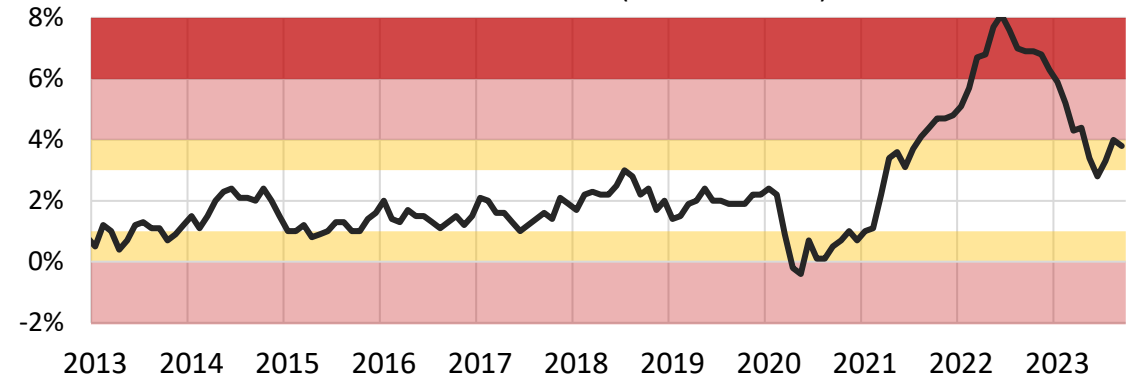
Investment Market Summary

Investment Market Returns (1-Year Rolling Periods)

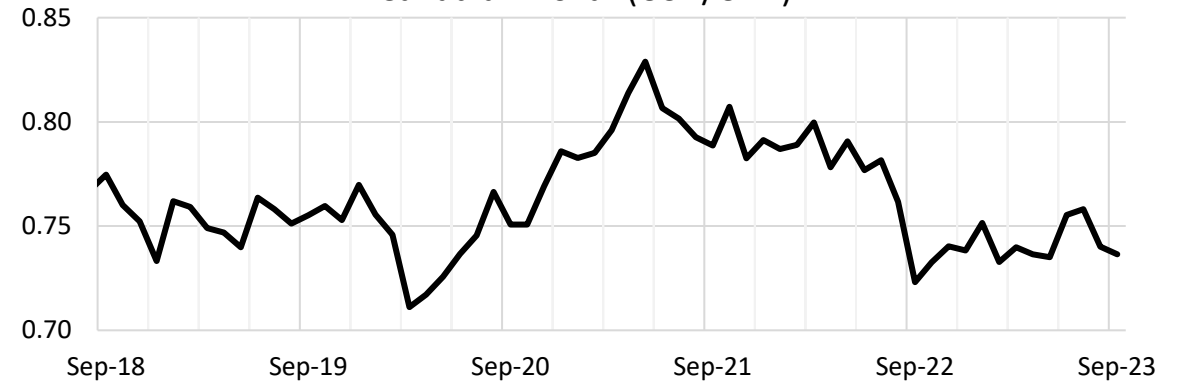


- Equity markets have enjoyed a strong rebound over the last year, spurred by decelerating inflation and solid economic data. However, economic data is deteriorating slowly amid restrictive interest rates.
- Bond market returns recovered through mid-2023 but turned lower again in the third quarter due to rising longer maturity interest rates.

Canadian Inflation (Year-over-Year)



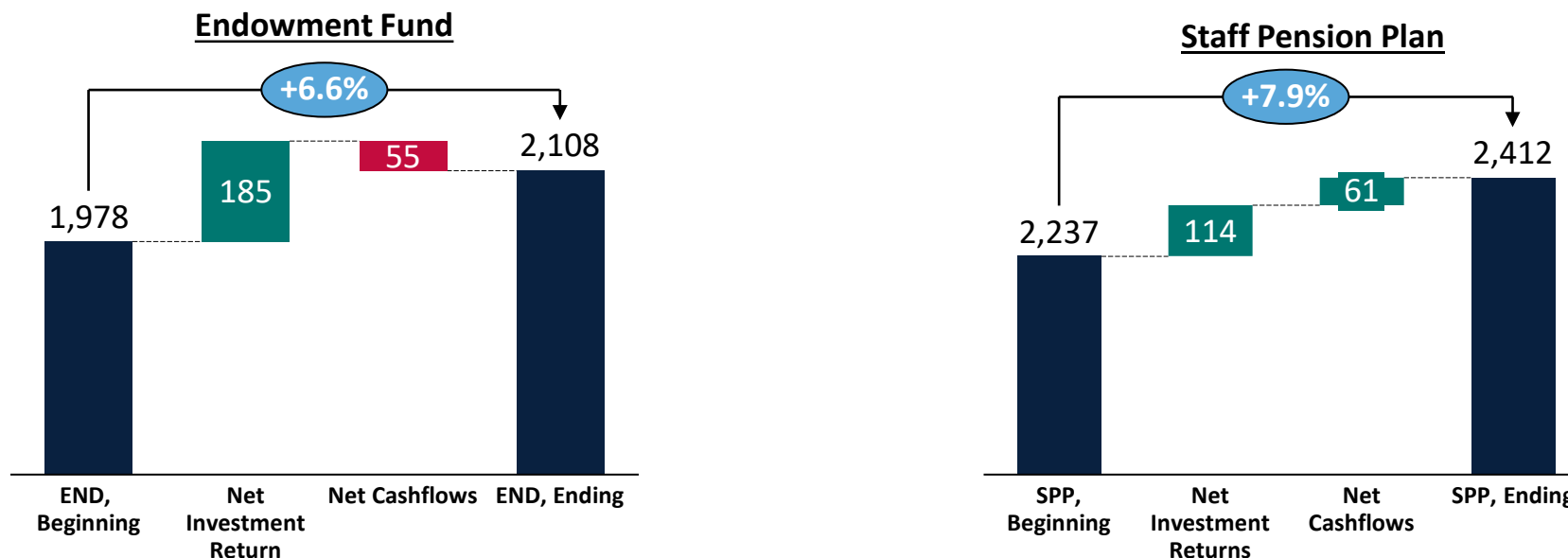
Canadian Dollar (USD/CAD)



- North American inflation readings have peaked, but general inflation levels remain above central bankers' comfort levels.
- The Canadian dollar depreciated in the third quarter of 2023 and has been generally stable over the last year after falling in 2022.

Assets Under Management (as of September 30, 2023)

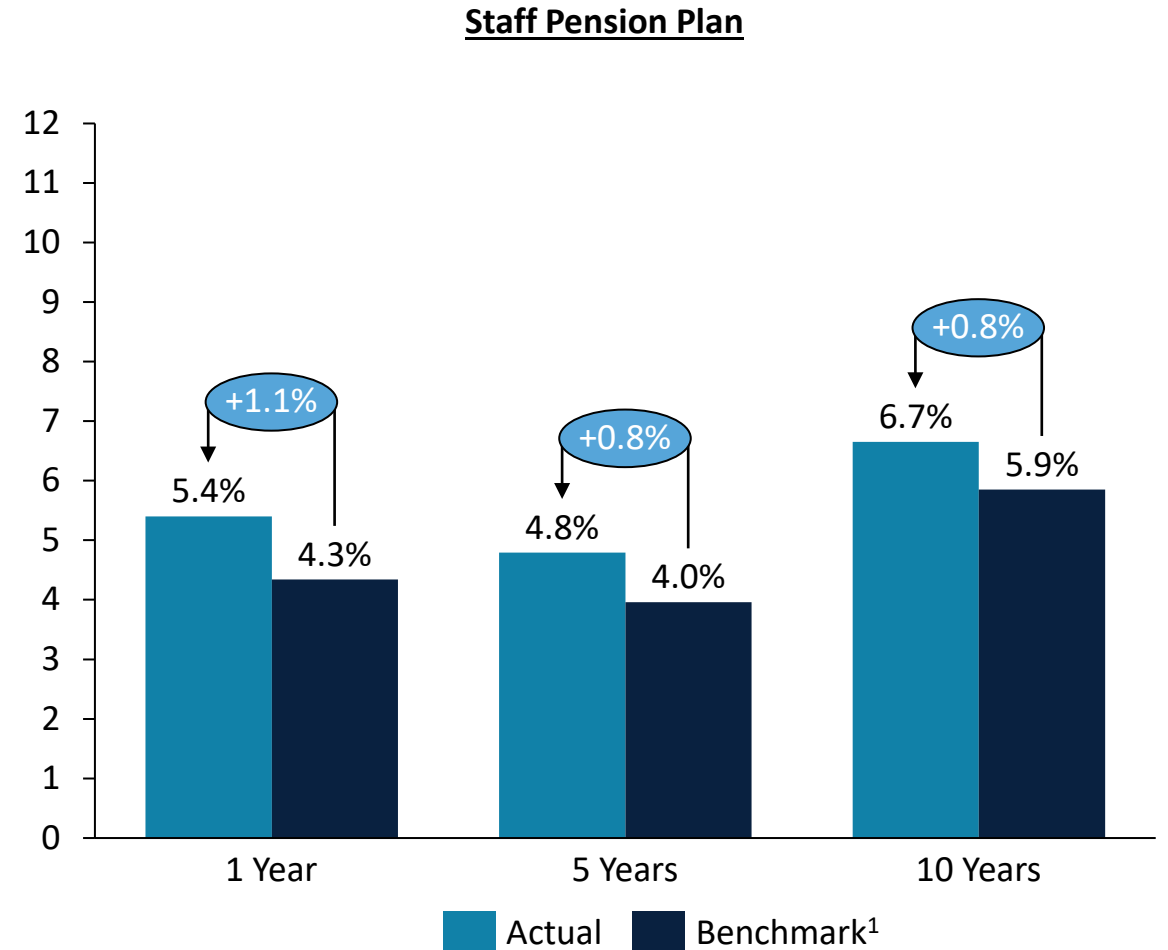
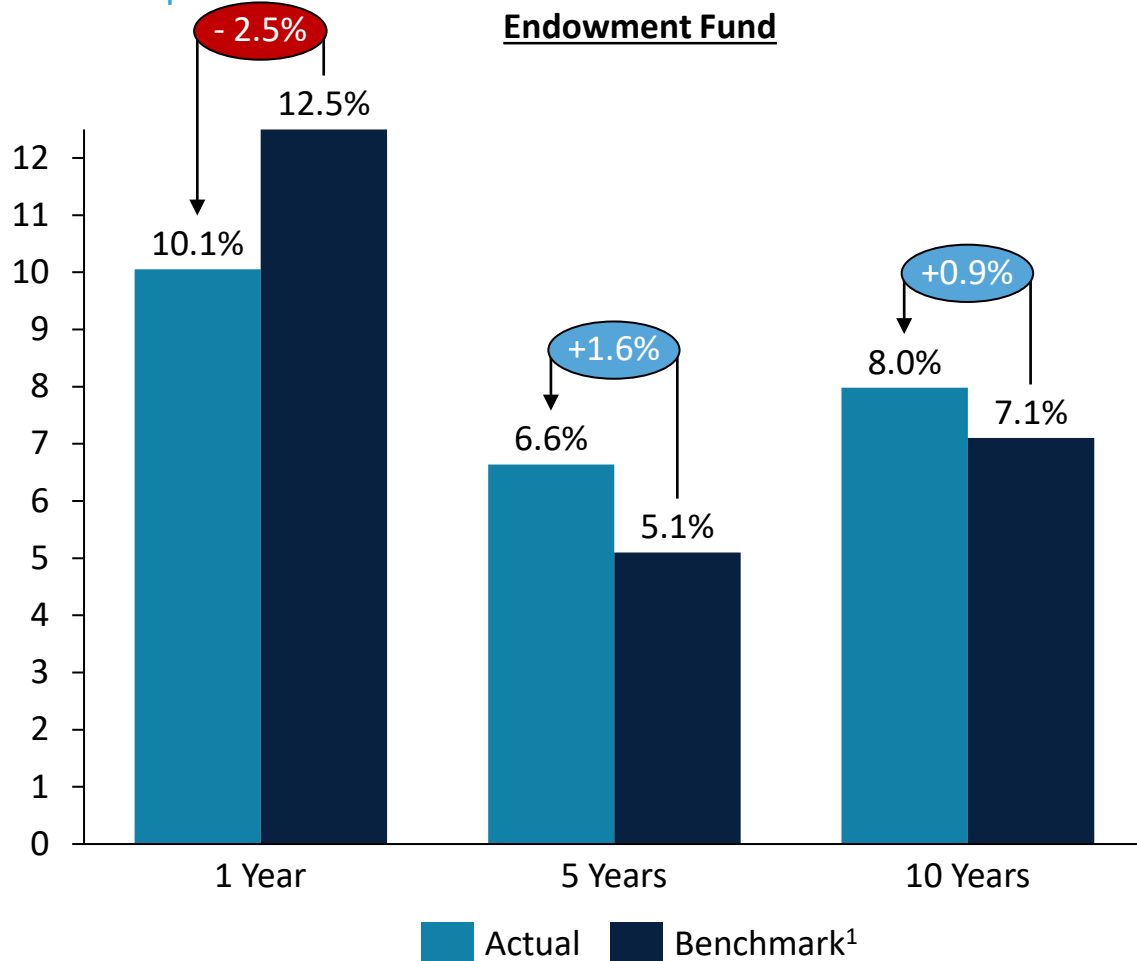
Assets Under Management increased across the Endowment and SPP Portfolios, driven primarily by investment returns. The growth from returns was partially offset by cash outflows in the Endowment, while the Staff Pension Plan's growth was boosted by net inflows.



Pool	Opening Balance (\$M) ¹	Closing Balance (\$M) ²	% Change
Endowment Fund	1,978	2,108	6.6%
Staff Pension Plan	2,237	2,412	7.9%
Working Capital Fund	1,177	1,054	-10.5%
Supplemental Arrangement	108	115	5.8%
Peter Wall Legacy Fund	-	92	-

Performance Summary (as of September 30, 2023)

One-year returns for the Endowment and SPP Portfolio were strong, with infrastructure, absolute return, and developed equities 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.



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

5 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 **\$2,108 M**

Asset Mix Summary

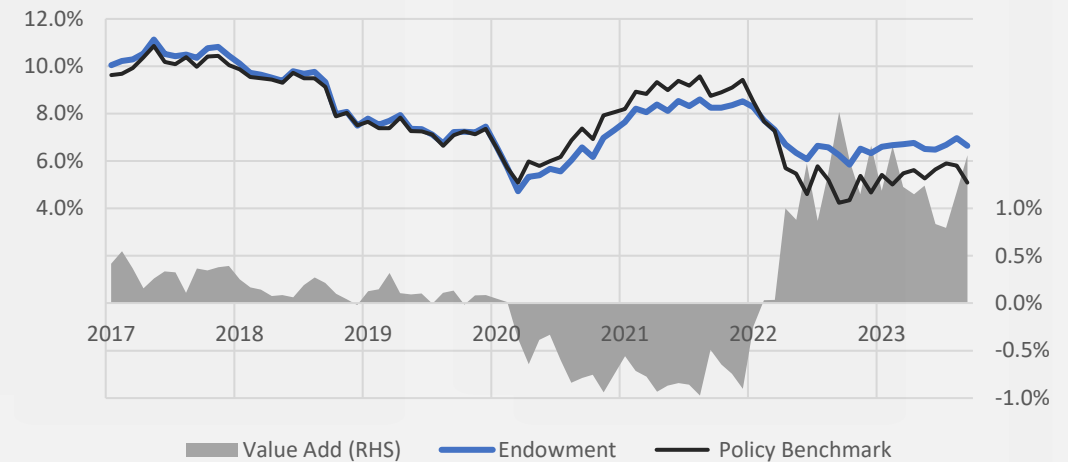
Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.1%	2.0%	-0.9%
Government Bonds	2.8%	3.0%	-0.2%
Private Debt	9.8%	8.0%	1.8%
UBC Debenture	4.2%	4.5%	-0.3%
Total Fixed Income	18.0%	17.5%	0.5%
Global Equities	29.1%	30.0%	-0.9%
Emerging Equities	14.5%	15.0%	-0.5%
Private Equity	10.9%	10.0%	0.9%
Total Equity	54.5%	55.0%	-0.5%
Real Estate	9.2%	10.0%	-0.8%
Infrastructure Equity	12.1%	10.0%	2.1%
Total Real Assets	21.4%	20.0%	1.4%
Absolute Return Strategies	6.1%	7.5%	-1.4%

Investment Performance (September 30, 2023)

	Quarter	1-Year	5-Years	10-Years
Required Return	2.0%	8.6%	8.3%	7.0%
Actual Returns	1.6%	10.1%	6.6%	8.0%
Policy Benchmark ¹	-2.1%	12.5%	5.1%	7.1%
Value Added	3.7%	-2.5%	1.6%	0.9%

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

Investment Performance vs. Policy Benchmark 5-year rolling return



UBC Staff Pension Plan Summary

Market Value **\$2,412 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	19.8%	19.0%	0.8%
Infrastructure Debt	4.3%	10.0%	-5.7%
Mortgages	5.8%	5.0%	0.8%
Private Debt	8.8%	7.5%	1.3%
Total Fixed Income	39.8%	42.5%	-2.7%
Canadian Equities	7.3%	7.5%	-0.2%
Global Equities	16.2%	15.0%	1.2%
Emerging Equities	7.5%	7.5%	0.0%
Private Equity	5.7%	5.0%	0.7%
Total Equity	36.6%	35.0%	1.6%
Real Estate	9.4%	10.0%	-0.6%
Infrastructure Equity	14.2%	12.5%	1.7%
Total Real Assets	23.5%	22.5%	1.0%

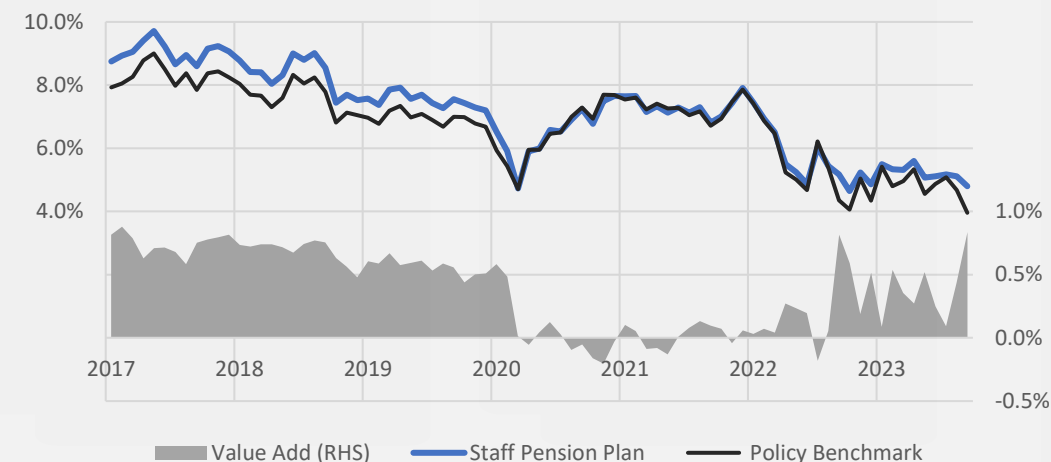
Investment Performance (September 30, 2023)

	Quarter	1-Year	5-Years	10-Years
Required Return	1.8%	7.9%	7.6%	6.5%
Actual Returns	-1.6%	5.4%	4.8%	6.7%
Policy Benchmark ¹	-4.8%	4.3%	4.0%	5.9%
Value Added	3.1%	1.1%	0.8%	0.8%

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 \$ 1,054 M

Asset Mix Summary

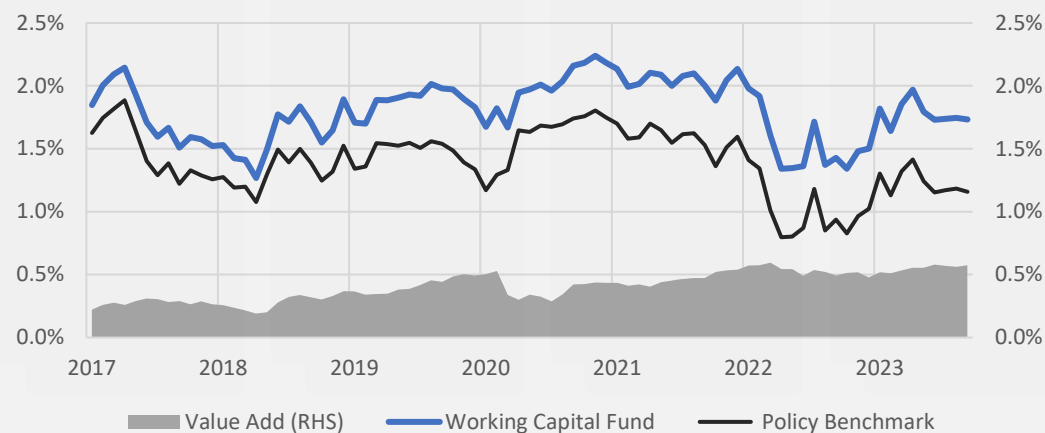
Asset Class	Current Mix
Money Market	33.6%
Short Term Bond & Mortgage	40.9%
Mortgages	25.5%

Investment Performance (September 30, 2023)

	Quarter	1-Year	5-Year	10-Year
Actual Returns*	0.2%	3.0%	1.7%	1.7%
Policy Benchmark	0.1%	2.0%	1.2%	1.3%
Value Added	0.2%	1.0%	0.6%	0.4%

* Net of investment management fees.

Investment Performance vs. Policy Benchmark
5-year rolling return



Supplemental Arrangement Summary

Market Value \$ 115 M

Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/Underweight
Fixed Income	40.1%	40.0%	0.1%
Equities	55.1%	50.0%	5.1%
Real Estate	4.9%	10.0%	-5.2%

Investment Performance (September 30, 2023)

	Quarter	1-Year	5-Year	10-Year
Actual Returns*	-3.0%	7.4%	4.1%	6.2%
Policy Benchmark	-3.0%	7.5%	4.2%	6.3%
Value Added	-0.1%	-0.1%	-0.1%	-0.1%

* Net of Sun Life administration and investment management fees.

Peter Wall Legacy Fund Summary

Market Value \$ 92 M

Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/Underweight
Fixed Income	34.6%	30.0%	4.6%
Equities	65.4%	70.0%	-4.6%

Investment Performance (September 30, 2023)

	Quarter	1-Year	5-Year	10-Year
Actual Return	-2.4%	-	-	-
Policy Benchmark*	-2.1%	-	-	-
Value Added	-0.4%	-	-	-

* 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	1.1% ¹	
Carbon Footprint	Total Emissions - Tonnes CO2 / \$ million invested Intensity - Tonnes CO2 / \$ million sales revenue	45% Reduction from Baseline	2030	-58% ¹ -52% 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 June 30, 2023 holdings

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

RESPONSIBLE INVESTING UPDATE