



SUBJECT	UBC Investment Management 2023-2024 Q3 Investment Report
SUBMITTED TO	Finance Committee
MEETING DATE	March 13, 2024
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 December 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 December 31, 2023:

- Global equity markets rallied considerably in the fourth quarter of 2023 with returns of 7.7% and 16.7% for the year. Inflation has continued to moderate whilst U.S. economic growth has beat expectations and labor markets have remained resiliently tight. This economic data has driven investors to price in a 'soft landing', the view that interest rate hikes will return inflation to the 2% target without causing a major recession. This view is most prominent in the U.S., with the U.S. equity benchmark returning 26% in 2023. However, it should be noted that this strong performance has been largely driven by just a handful of the largest technology companies that have benefited from the interest in Artificial Intelligence. Emerging Markets equity also generated positive returns of 5.2% in the quarter and 6.9% on the year but have underperformed meaningfully relative to developed markets.
- Fixed income markets have also rallied as inflation has moderated and investors expect central banks to reduce interest rates. Guidance by central banks in Canada and U.S. have suggested that further interest rates are not likely and that policy interest rates may be lowered in 2024. The broad Canadian bond index generated a return of 8.3% in the quarter ended December 31, 2023, resulting in a 6.7% return for the 2023 calendar year.

- The UBC Main Endowment Pool posted returns of 3.2% in the quarter ending December 31, 2023, a fourth consecutive positive quarter of performance. The Staff Pension Plan generated 5.9% over the quarter, benefiting from the Plan's exposure to long maturity bonds. For the 2023 calendar year, the Endowment returned 8.6% and the Staff Pension Plan returned 8.7%. Both the Endowment fund and Staff Pension Plan underperformed their benchmarks this quarter with -5.1% and -4.7% relative returns, respectively. Similarly, performance lagged benchmarks over the year with -6.6% relative return for the Endowment fund and -2.2% relative return for the Staff Pension Plan. Underperformance was driven by exceptional returns in public equity benchmarks. Given the Endowment and Staff Pension Plan portfolios have considerable exposure to private market assets, it is expected that the portfolios will outperform public markets when public markets decline sharply. However, they are not expected to keep pace when public markets rebound strongly, such as in 2023. UBC Investment Management focuses on relative performance primarily over 5-year and 10-year horizons. Both the Endowment and Staff Pension Plan continue to outperform their benchmarks over these time 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 63% on a carbon footprint basis and 58% on an emissions intensity basis compared to the 2019 baseline levels. Compared to the benchmark indexes for the public equity portfolio, the Main Endowment Pool's equity holdings have a 29% lower carbon emissions intensity (carbon emissions produced to generate \$1 million of revenue).

Over the most recent quarter, UBC Investment Management advanced its work to develop climate risk management reporting in line with the Task Force for Climate-Related Financial Disclosures (TCFD). This report is expected to be published by April 2023. UBC Investment Management has also continued to enhance its portfolio emissions measurement capabilities, integrating new portfolio management and risk systems to assist in monitoring emissions of investment managers at a more granular level and to incorporate corporate bonds along with public equity exposures.

PRESENTATIONS

1. UBC Investment Management 2023-2024 Q3 Investment Report

UBC Investment Management 2023-2024 Q3 Investment Report

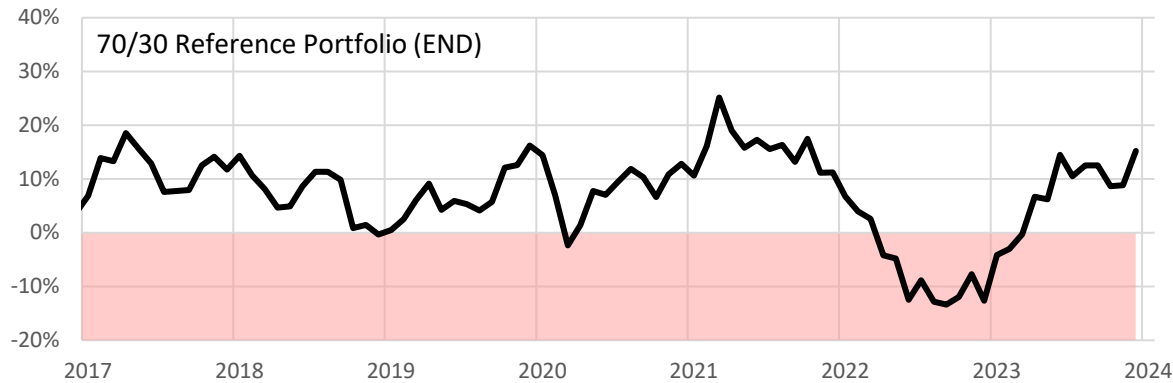
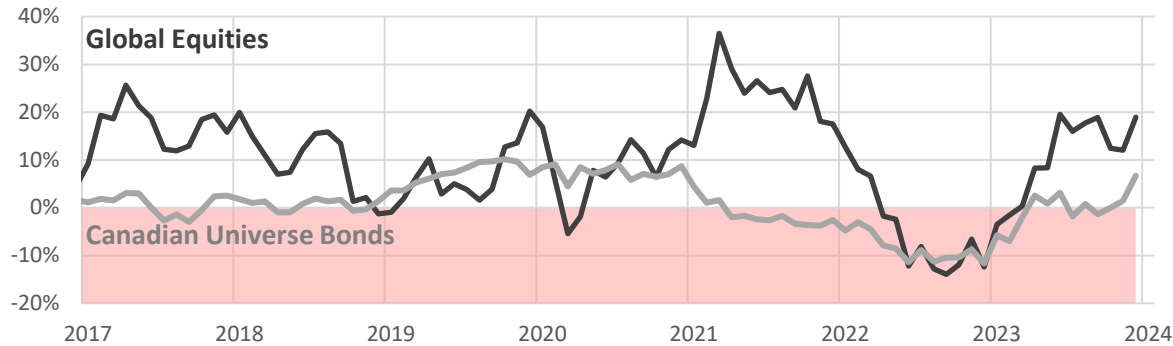
March 13, 2024

Dawn Jia, President & CEO
UBC Investment Management



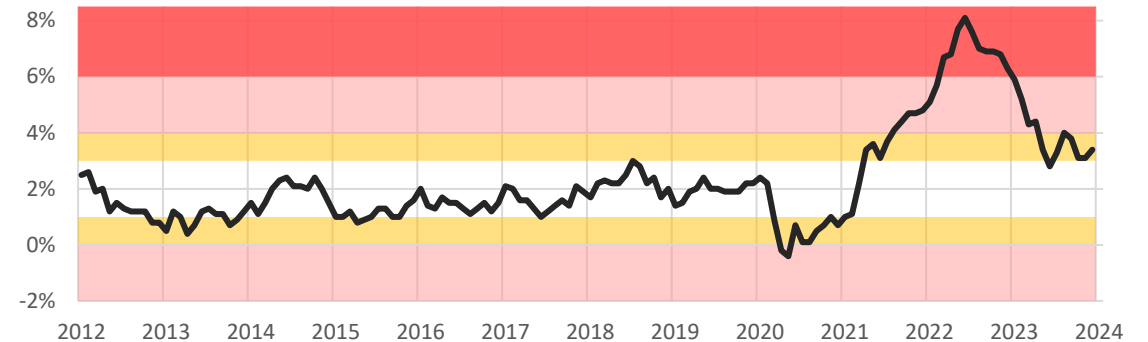
Investment Market Summary – Public Markets

Investment Market Returns (1-Year Rolling Periods)



- Equity and Bond markets ended the year with strong returns, with expectations of interest rate cuts being aggressively priced in.
- Economic growth indicators continued to beat expectations and Q4 corporate earnings have been strong, especially in the US technology sector.

Canadian Inflation (Year over Year)



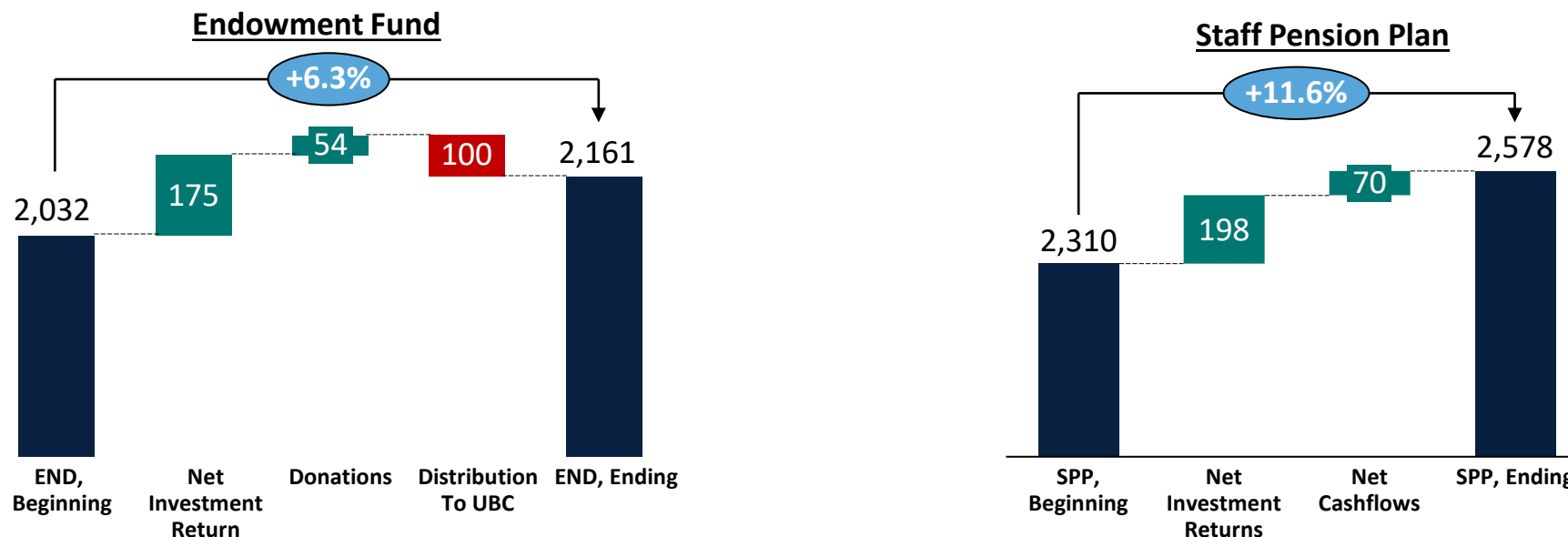
Canadian Dollar (USD/CAD)



- North American inflation readings have peaked but remain above central bankers' comfort levels.
- The Canadian dollar was stable in the fourth quarter of 2023 but is at risk of devaluation from widening US rate differentials.

Assets Under Management (as of December 31, 2023)

Assets Under Management increased across the Endowment and Staff Pension Plan 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 continues to be boosted by net inflows.

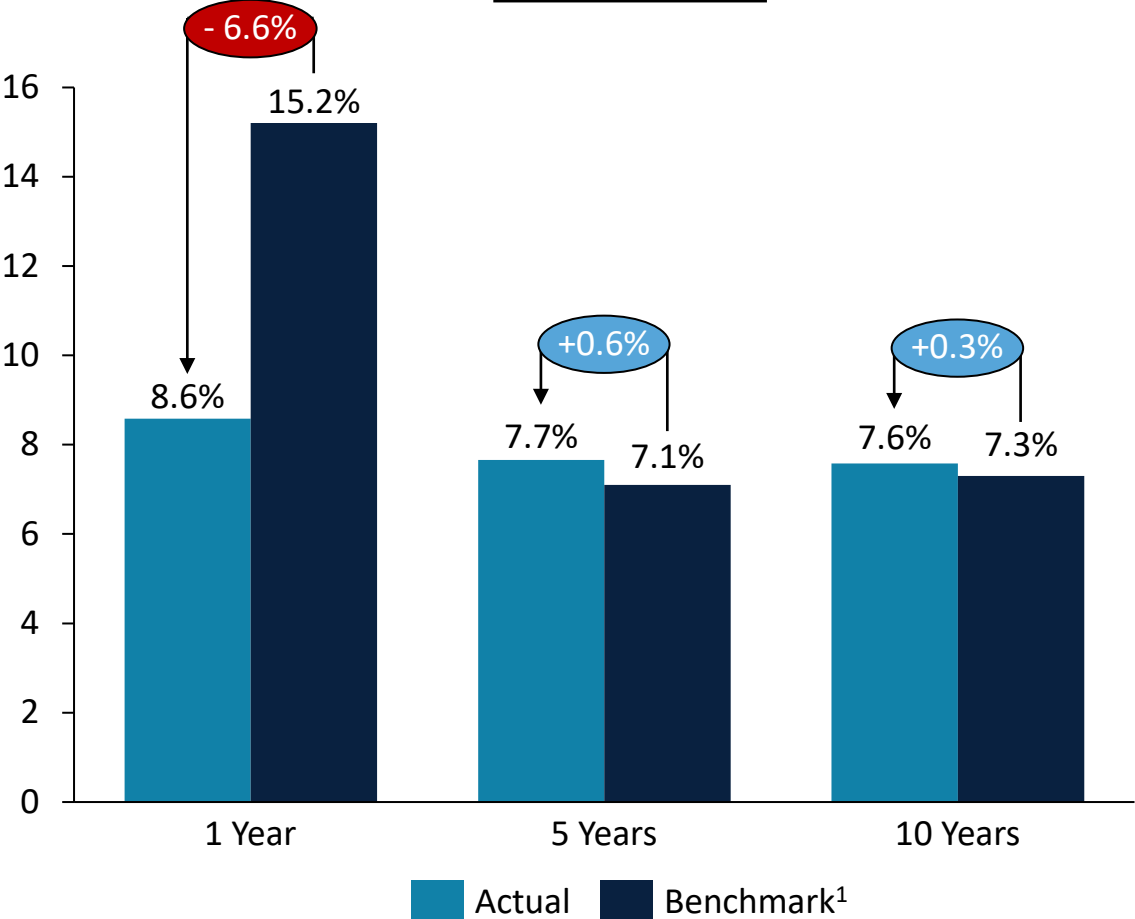


Pool	Opening Balance (\$M) ¹	Closing Balance (\$M) ²	% Change
Endowment Fund	2,032	2,161	6.3%
Staff Pension Plan	2,310	2,578	11.6%
Working Capital Fund	975	883	-9.4%
Supplemental Arrangement	115	127	10.4%
Peter Wall Legacy Fund	92	101	9.8%

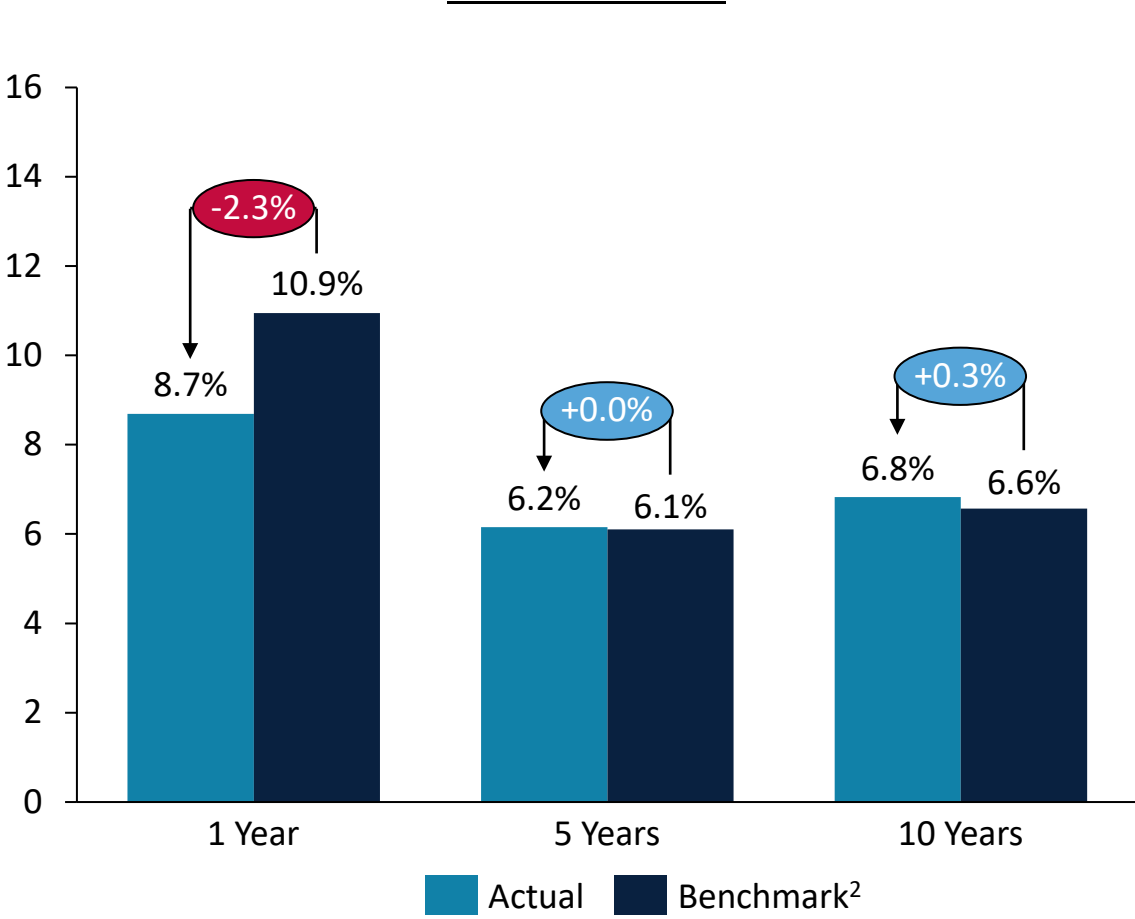
Performance Summary (as of December 31, 2023)

One-year returns for the Endowment and SPP Portfolio were strong but lagged exceptional benchmark performance. Underperformance primarily came from Private Equity, Real Estate, and Absolute Return. Over 5 and 10-year horizons both the Endowment and SPP Portfolios continue to outperform the benchmark.

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 **\$2,161 M**

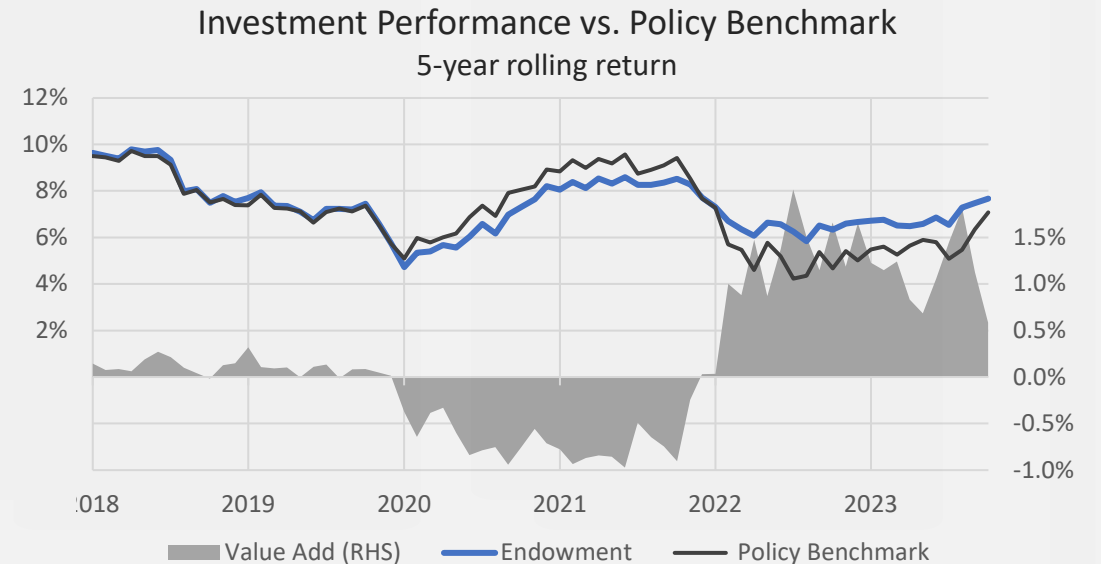
Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.1%	2.0%	-0.9%
Government Bonds	1.5%	3.0%	-1.5%
Private Debt	11.0%	8.0%	3.0%
UBC Debenture	4.2%	4.5%	-0.3%
Total Fixed Income	17.7%	17.5%	0.2%
Global Equities	30.6%	30.0%	0.6%
Emerging Equities	14.7%	15.0%	-0.3%
Private Equity	10.7%	10.0%	0.7%
Total Equity	56.0%	55.0%	1.0%
Real Estate	8.8%	10.0%	-1.2%
Infrastructure Equity	12.2%	10.0%	2.2%
Total Real Assets	21.0%	20.0%	1.0%
Absolute Return Strategies	5.4%	7.5%	-2.1%

Investment Performance (December 31, 2023)

	Quarter	1-Year	5-Years	10-Years
Required Return	1.0%	8.2%	8.3%	7.0%
Actual Returns	3.2%	8.6%	7.7%	7.6%
Policy Benchmark ¹	8.3%	15.2%	7.1%	7.3%
Value Added	-5.1%	-6.6%	0.6%	0.3%

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 **\$2,578 M**

Asset Mix Summary

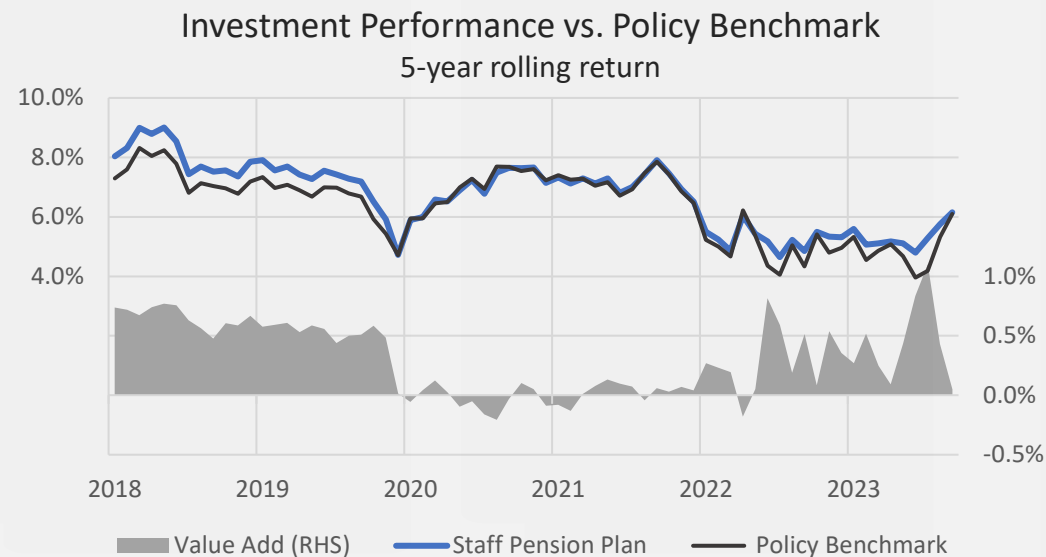
Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.5%	1.0%	0.5%
Public Long Term Bonds	22.0%	19.0%	3.0%
Infrastructure Debt	4.2%	10.0%	-5.8%
Mortgages	5.3%	5.0%	0.3%
Private Debt	9.9%	7.5%	2.4%
Total Fixed Income	42.9%	42.5%	0.4%
Canadian Equities	7.4%	7.5%	-0.1%
Global Equities	15.0%	15.0%	0.0%
Emerging Equities	7.3%	7.5%	-0.2%
Private Equity	5.4%	5.0%	0.4%
Total Equity	35.0%	35.0%	0.0%
Real Estate	8.6%	10.0%	-1.4%
Infrastructure Equity	13.5%	12.5%	1.0%
Total Real Assets	22.0%	22.5%	-0.5%

Investment Performance (December 31, 2023)

	Quarter	1-Year	5-Years	10-Years
Long Term Performance Objective	0.9%	7.5%	7.6%	6.5%
Actual Returns	5.9%	8.7%	6.2%	6.8%
Policy Benchmark ¹	10.6%	10.9%	6.1%	6.6%
Value Added	-4.7%	-2.2%	0.1%	0.2%

¹ Policy benchmark performance comprised of Investable Policy benchmarks as of July 1, 2022.

Earlier periods utilize the historical Policy Benchmark



UBC Working Capital Fund Summary

Market Value \$ 883 M

Asset Mix Summary

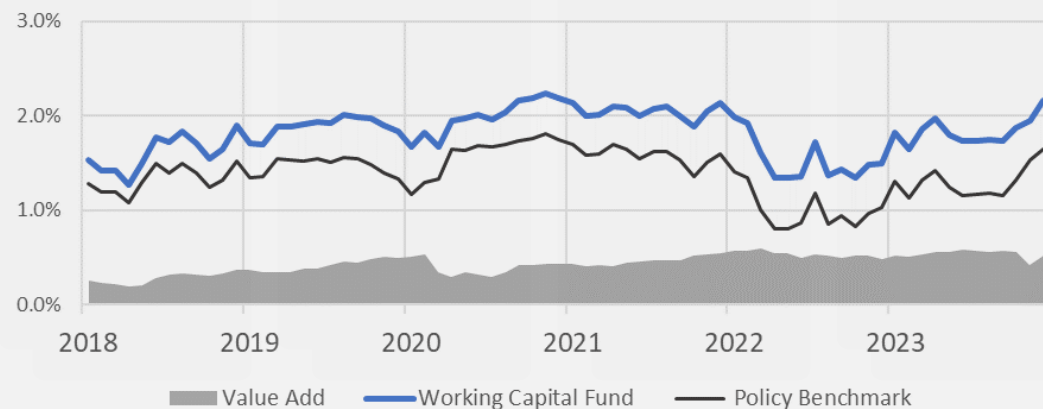
Asset Class	Current Mix
Money Market	17.3%
Short-Term Bond & Mortgages	50.9%
Mortgages	31.8%

Investment Performance (December 31, 2023)

	Quarter	1-Year	5-Year	10-Year
Actual Returns*	3.7%	6.0%	2.2%	2.0%
Policy Benchmark	3.7%	5.0%	1.6%	1.6%
Value Added	0.0%	1.0%	0.5%	0.4%

* Net of investment management fees.

Investment Performance vs. Policy Benchmark
5-year rolling return



Supplemental Arrangement Summary

Market Value \$ 127 M

Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/Underweight
Fixed Income	39.8%	40.0%	-0.2%
Equities	55.0%	50.0%	5.0%
Real Estate	5.2%	10.0%	-4.8%

Investment Performance (December 31, 2023)

	Quarter	1-Year	5-Year	10-Year
Actual Returns*	8.6%	11.2%	6.7%	6.5%
Policy Benchmark	8.7%	11.5%	6.9%	6.6%
Value Added	-0.1%	-0.3%	-0.1%	-0.1%

* Net of Sun Life administration and investment management fees.

Peter Wall Legacy Fund Summary

Market Value \$ 101 M

Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/Underweight
Fixed Income	28.6%	30.0%	-1.4%
Equities	71.4%	70.0%	1.4%

Investment Performance (December 31, 2023)

	Quarter	1-Year	5-Year	10-Year
Actual Return	9.2%	9.5%	-	-
Policy Benchmark*	8.3%	15.2%	-	-
Value Added	0.9%	-5.7%	-	-

* 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	2.2% ¹	
Carbon Footprint	Total Emissions - Tonnes CO2 / \$ million invested Intensity - Tonnes CO2 / \$ million sales revenue	45% Reduction from Baseline	2030	-63% ¹ -58% 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 September 30, 2023 holdings

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

RESPONSIBLE INVESTING UPDATE