



SUBJECT	UBC Investment Management 2023-2024 Q4 Investment Report
SUBMITTED TO	Finance Committee
MEETING DATE	June 10, 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 March 31, 2024, and update the Committee on the implementation of UBC Investment Management's (UBCIM) 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, 2024:

- Global equity markets continued to generate exceptionally strong returns of 11.7% over the quarter ended March 31, 2024 and 25.1% for the year in Canadian dollar terms. Driving the strong returns in equity markets were stronger-than-expected economic data and resilient corporate earnings despite the high interest rate environment. The U.S. market has continued to lead equity market performance, with returns largely attributable to the largest technology companies that have benefited from the interest in Artificial Intelligence. Emerging Markets equity has underperformed developed international markets but generated positive returns of 5.1% in the quarter and 8.1% over the last one-year period in Canadian dollar terms.
- Fixed income markets remained volatile through the first quarter. After cooling inflation readings drove interest rates lower in the second half of 2023 in anticipation of lower central bank policy rates, strong economic data in early 2024 caused investors to ease their expectations of rate cuts. Government bond interest rates rose by over 30 basis points over the quarter, resulting in a -1.2% return in the broad Canadian bond index.

- The UBC Main Endowment Pool generated a 6.9% return in the quarter ending March 31, 2024, representing the fifth consecutive quarter of positive performance. The Staff Pension Plan returned 3.0% over the quarter, with strong equity returns partially offset by negative returns from its long maturity bond portfolio. Over a one-year period, the Endowment returned 12.1% while the Staff Pension Plan returned 8.4%. Compared to the benchmark return, the Endowment fund underperformed in the quarter with a -0.3% relative return, while the Staff Pension Plan outperformed by 0.7%. Underperformance has been primarily driven by exceptionally strong 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 as they have done in recent quarters. UBC Investment Management focuses on relative performance over 5-year and 10-year horizons. Over these time periods, the Endowment and Staff Pension Plan continue to outperform their benchmarks.
- Assets Under Management continue to grow at a healthy rate across the Endowment, SPP, Supplemental Arrangement and Peter Wall Legacy funds over the last twelve months, reflecting the strong investment returns achieved. The size of the Working Capital Fund has decreased by nearly 15% on a year-over-year basis as withdrawals from the portfolio to fund operating needs have outpaced deposit inflows into the fund and positive investment returns.

Overview of Responsible Investing Activities

UBC Investment Management remains on track in meeting our Responsible Investing Strategy's stated deliverables, including enhancing climate risk management in UBC portfolios, internal processes in assessing and monitoring our external investment managers and portfolio carbon emissions reduction.

Climate Risk Measurement

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 portfolio emissions are down 49% on a carbon footprint basis and 55% 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 27% lower carbon emissions intensity (carbon emissions produced to generate \$1 million of revenue). In FY23-24, UBC Investment Management enhanced its portfolio carbon measurement approach to align with the methodology of the Partnership for Carbon Accounting Financials, a leading industry-led framework that will enable UBCIM over time to expand carbon measurement to incorporate additional asset classes beyond public equity holdings. As such, the carbon footprint and intensity measures for the Main Endowment Pool now include public equity and corporate bond exposures.

UBC Investment Management also advanced its work to develop climate risk management reporting in line with the Task Force for Climate-Related Financial Disclosures (TCFD). While the TCFD framework has now been incorporated into the International Sustainable Standards Board's S1 and S2 guidelines released last year, our approach under the TCFD framework is incorporated into our 2023 Responsible Investing Report.

PRI Reporting Results

In 2020, UBCIM, on behalf of the UBC Endowment Fund, became a signatory to the Principles for Responsible Investment (PRI). As a signatory, UBCIM pledges to act in accordance with the PRI's six Principles, focused on the integration of Environmental, Social and Governance considerations in the investment process, and to report to the PRI on our adoption and implementation of the Principles. UBCIM completed its inaugural reporting in 2021 and its second round of reporting under the PRI's framework in the summer of 2023.

The full assessment results of the 2023 reporting were released in early 2024. UBCIM's assessment reflected the enhancements to UBCIM's integration of Environmental, Social and Governance considerations across the investment decision making process, including in the Endowment's strategic asset mix and in the selection and monitoring of external investment managers. It also reflects UBCIM's participation with peers in advocating for strong responsible investing practices in the investment industry and responding to requests for comment on new responsible investing regulations. UBCIM's practices in external manager selection and monitoring scored above median across nearly all asset classes. UBC's initiatives establishing clear climate commitments and updating its Statements on Responsible Investing also resulted in strong improvements in UBC's Policy, Governance and Strategy module of the reporting, scoring well above the median asset owner.

The results of the 2023 reporting assessment are available through the PRI website ([link](#)). UBCIM will next report on behalf of the UBC Endowment in the 2025 reporting cycle.

PRESENTATIONS

1. Q1 2024 Investment Report

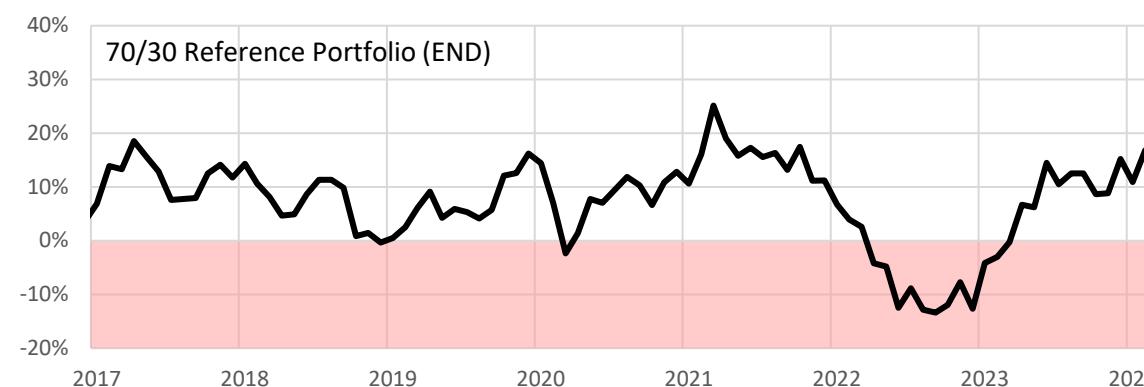
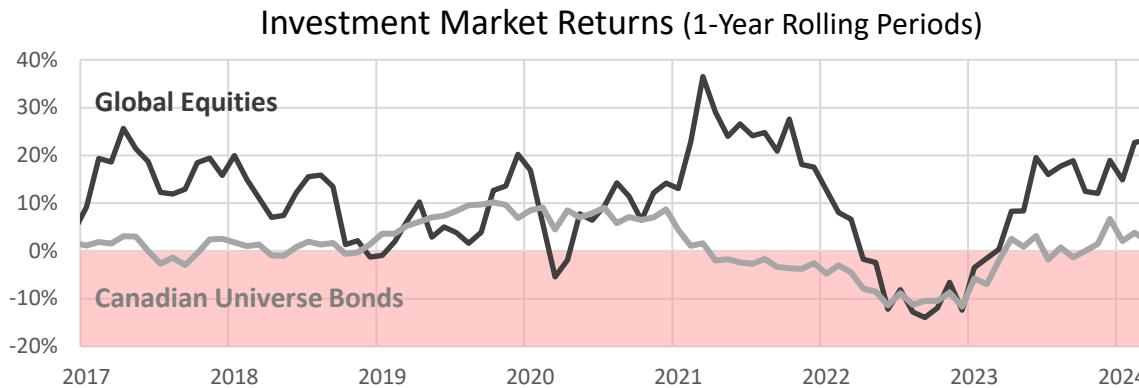
Q1 2024 Investment Report

June 10, 2024

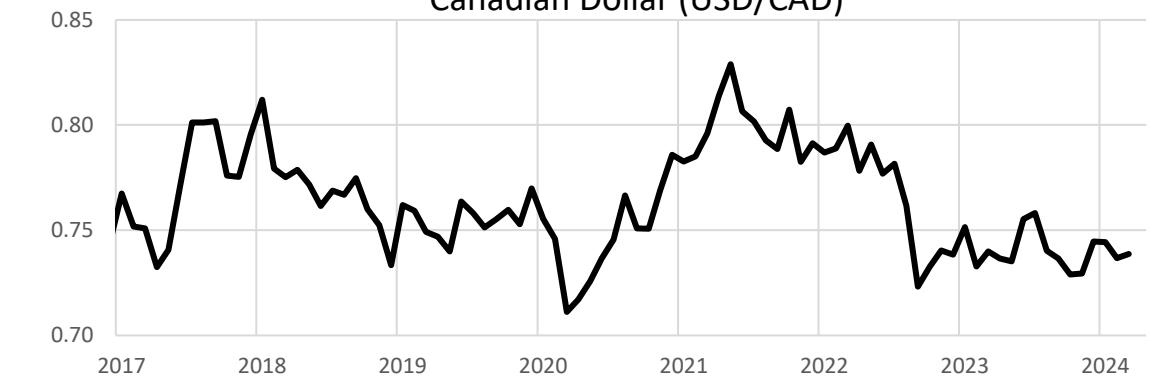
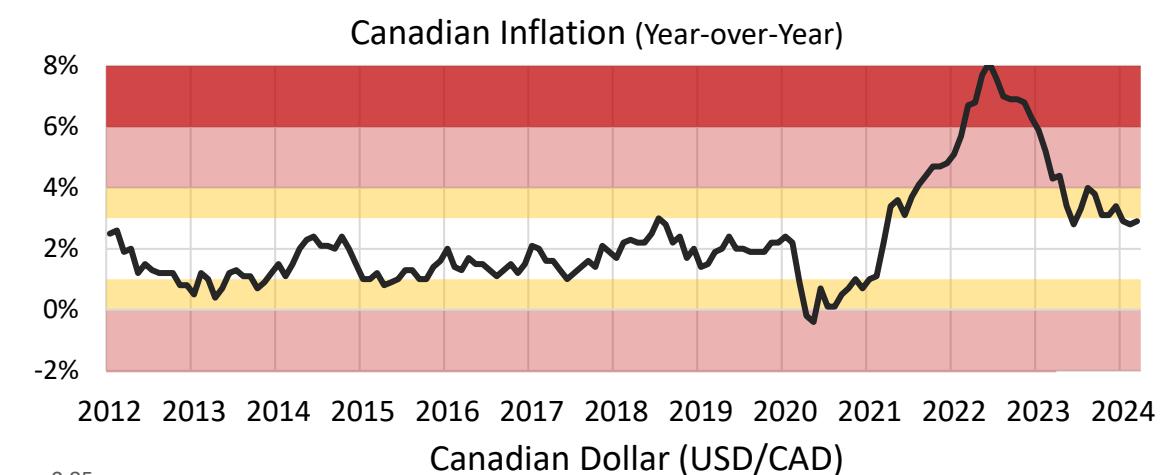
Dawn Jia, President & CEO
UBC Investment Management



Investment Market Summary – Public Markets



- Equity markets began the year with strong returns despite interest rates moving higher in the first quarter. Strong corporate earnings, led by the US technology sector, helped drive equity markets higher.
- Bond returns were moderately negative in the quarter but are still positive on a one-year basis.

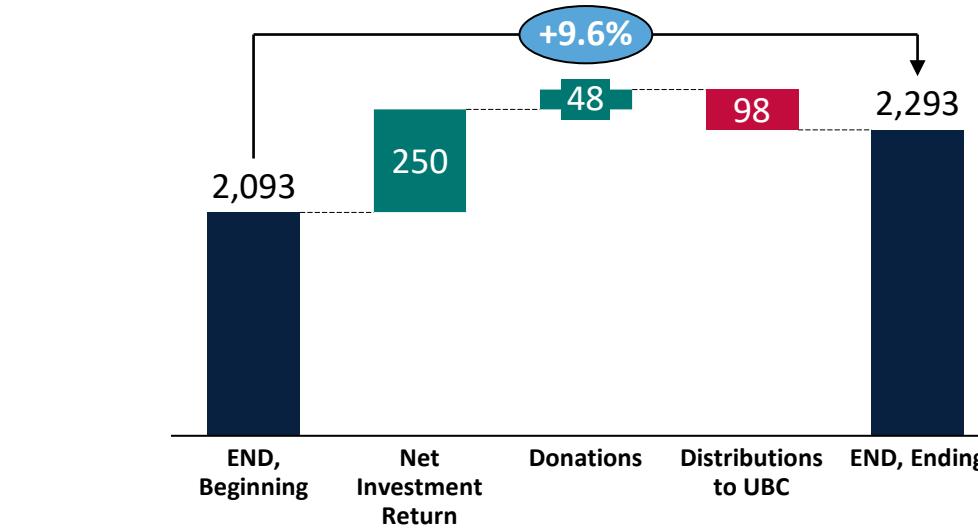


- North American inflation readings continue to slowly trend downward and are currently sitting near the top end of central bank targets.
- The Canadian dollar has remained generally stable over the past year.

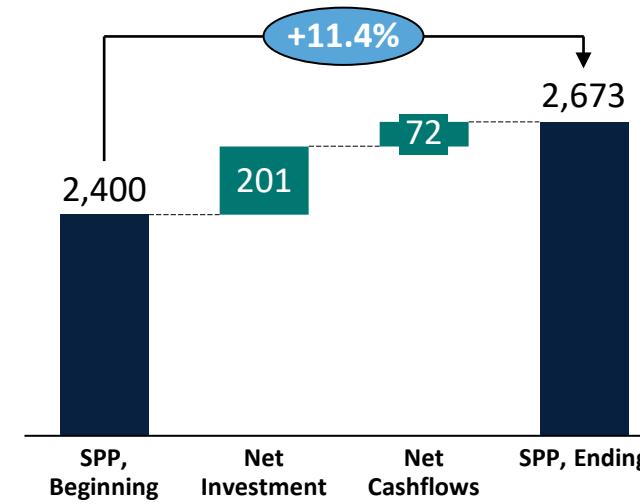
Assets Under Management (as of March 31, 2024)

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 continues to be boosted by net inflows. The Working Capital Fund has experienced positive returns but higher cash outflows to support spending.

Endowment Fund



Staff Pension Plan



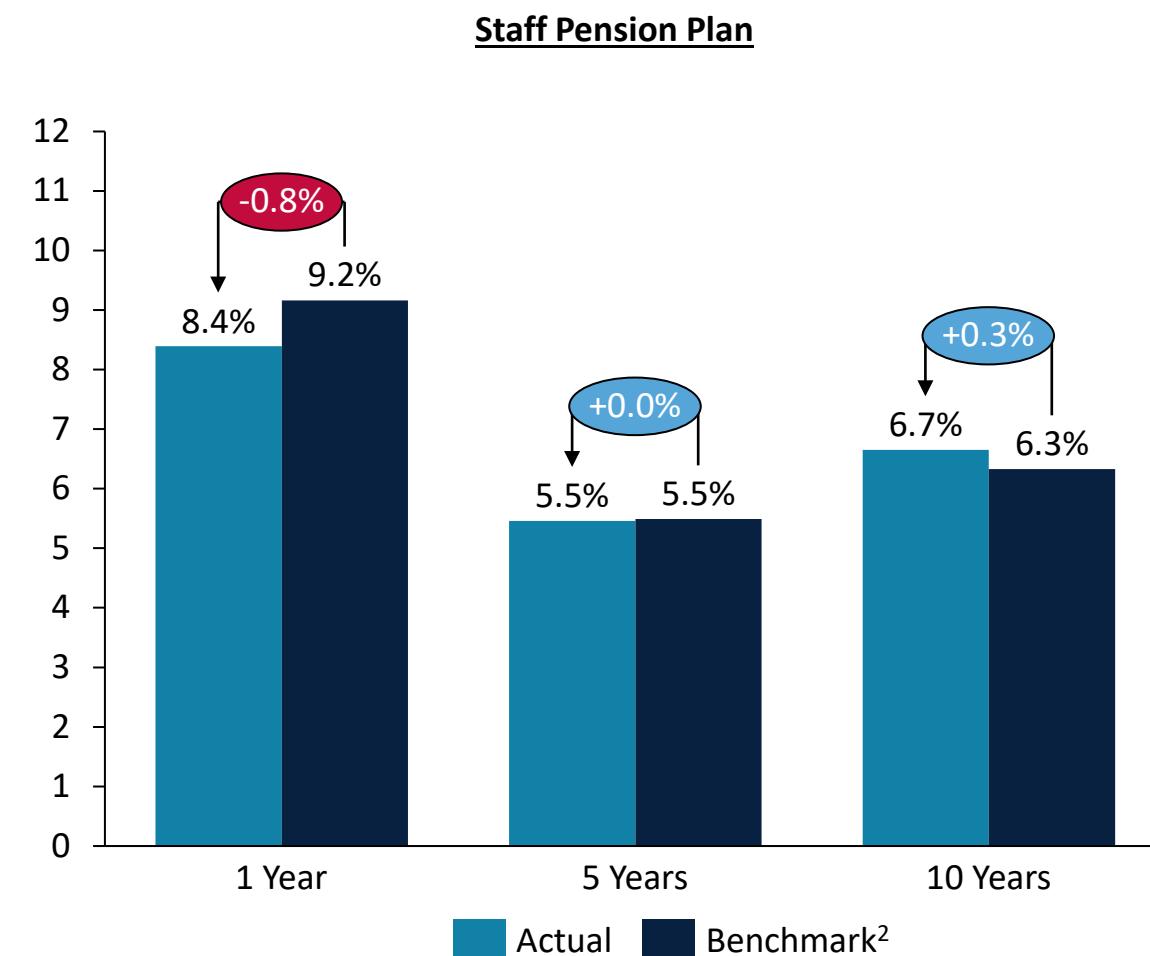
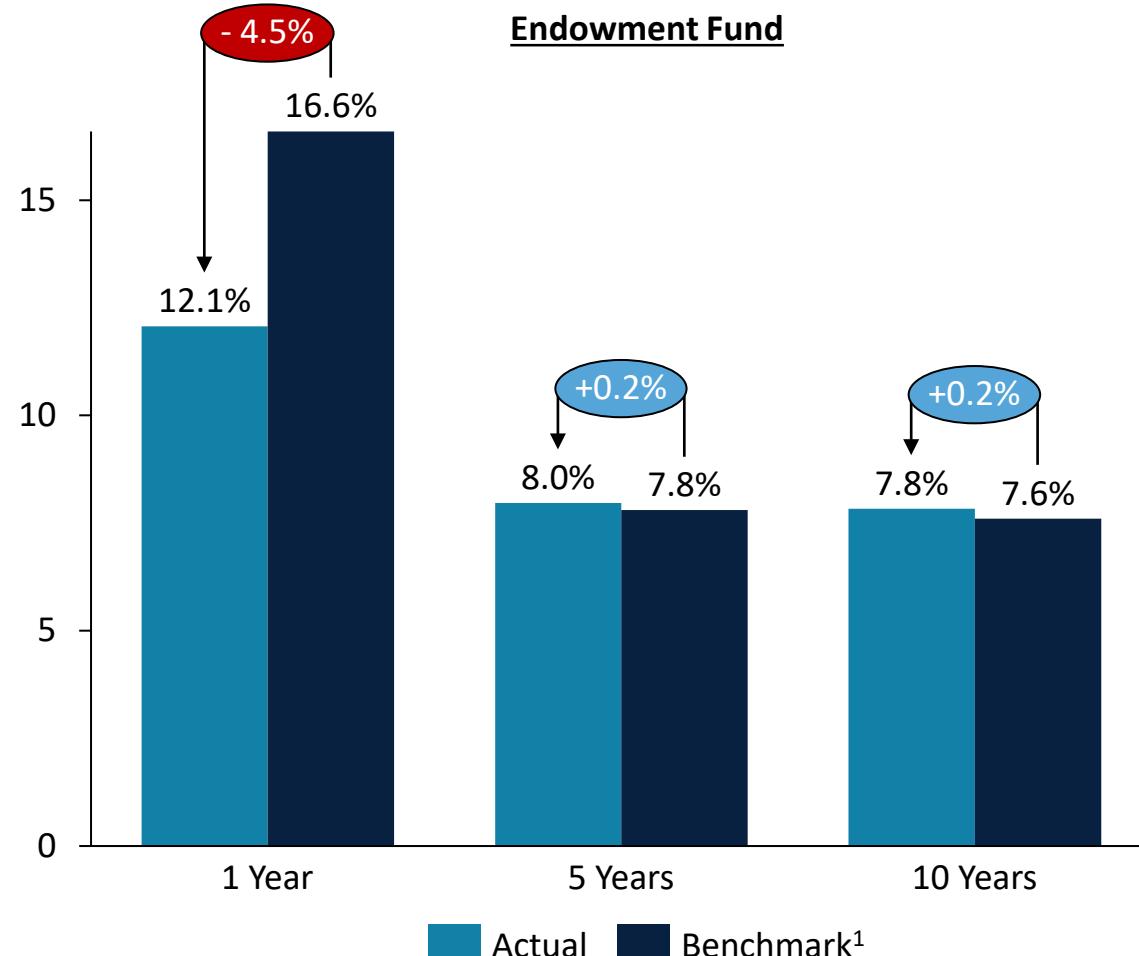
Pool	Opening Balance (\$M) ¹	Closing Balance (\$M) ²	% Change
Endowment Fund	2,093	2,293	9.6%
Staff Pension Plan	2,400	2,673	11.4%
Working Capital Fund	1,098	937	-14.7%
Supplemental Arrangement	118	132	11.9%
Peter Wall Legacy Fund	94	105	11.7%

¹ March 31, 2023

² March 31, 2024

Performance Summary (as of March 31, 2024)

One-year returns for the Endowment and SPP Portfolio were strong but have lagged the exceptional performance of their public benchmarks. Over 5 and 10-year horizons, the Endowment and SPP Portfolio returns continue to meet or exceed the benchmark.



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 **\$2,293 M**

Asset Mix Summary

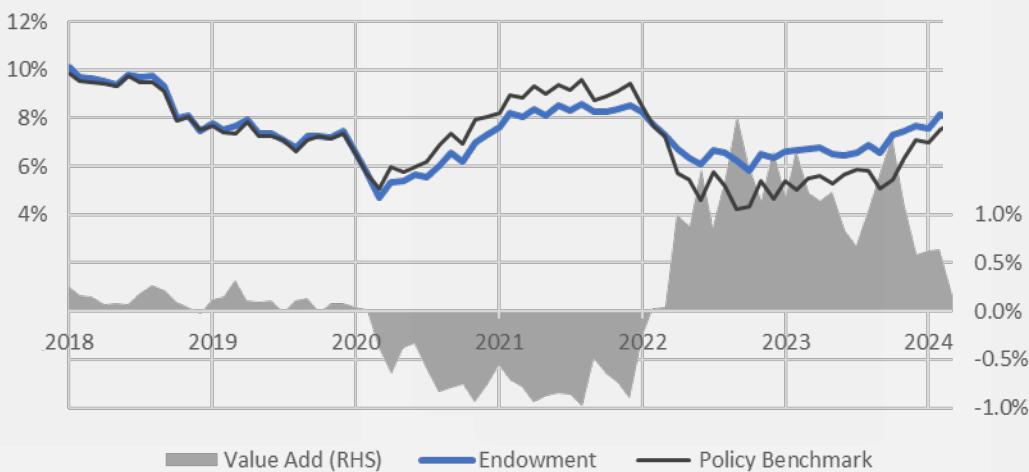
Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.8%	2.0%	-0.2%
Government Bonds	2.1%	3.0%	-0.9%
Private Debt	11.0%	8.3%	2.8%
UBC Debenture	3.8%	4.3%	-0.4%
Total Fixed Income	18.8%	17.5%	1.3%
Global Equities	31.0%	30.0%	1.0%
Emerging Equities	14.9%	15.0%	-0.1%
Private Equity	10.5%	10.0%	0.5%
Total Equity	56.3%	55.0%	1.3%
Real Estate	7.7%	10.0%	-2.3%
Infrastructure Equity	11.7%	10.0%	1.7%
Total Real Assets	19.4%	20.0%	-0.6%
Absolute Return Strategies	5.4%	7.5%	-2.1%

Investment Performance (March 31, 2024)

	Quarter	1-Year	5-Years	10-Years
Required Return	2.1%	7.7%	8.2%	7.0%
Actual Returns	6.9%	12.1%	8.0%	7.8%
Policy Benchmark ¹	7.3%	16.6%	7.8%	7.6%
Value Added	-0.3%	-4.5%	0.2%	0.2%

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 **\$2,673 M**

Asset Mix Summary

Asset Class	Current Mix	Policy Mix	Overweight/ Underweight
Cash & Cash Equivalents	1.8%	1.0%	0.8%
Public Long Term Bonds	22.0%	19.0%	3.0%
Infrastructure Debt	3.9%	10.0%	-6.1%
Mortgages	5.2%	5.0%	0.2%
Private Debt	10.2%	7.5%	2.7%
Total Fixed Income	43.1%	42.5%	0.6%
Canadian Equities	7.5%	7.5%	0.0%
Global Equities	16.2%	15.0%	1.2%
Emerging Equities	7.5%	7.5%	0.0%
Private Equity	5.5%	5.0%	0.5%
Total Equity	36.8%	35.0%	1.8%
Real Estate	7.8%	10.0%	-2.2%
Infrastructure Equity	12.4%	12.5%	-0.1%
Total Real Assets	20.1%	22.5%	-2.4%

Investment Performance (March 31, 2024)

	Quarter	1-Year	5-Years	10-Years
Required Return		1.9%	7.0%	7.5%
Actual Returns		3.0%	8.4%	5.5%
Policy Benchmark ¹		2.4%	9.2%	5.5%
Value Added		0.7%	-0.8%	0.0%

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

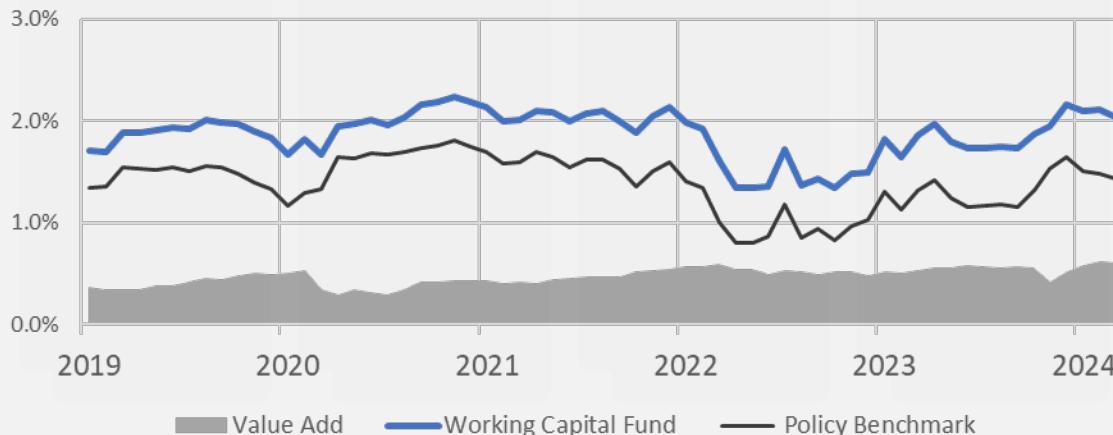


UBC Working Capital Fund Summary

Market Value	\$ 937 M			
Asset Mix Summary				
Asset Class	Current Mix			
Money Market	21.8%			
Short-Term Bond & Mortgages	48.1%			
Mortgages	30.2%			
Investment Performance (March 31, 2024)				
	Quarter	1-Year	5-Year	10-Year
Actual Returns*	0.7%	4.5%	2.0%	2.0%
Policy Benchmark	0.5%	3.7%	1.4%	1.5%
Value Added	0.2%	0.8%	0.6%	0.5%

* Net of investment management fees.

Investment Performance vs. Policy Benchmark
5-year rolling return



Supplemental Arrangement Summary

Market Value	\$ 132 M			
Asset Mix Summary				
Asset Class	Current Mix	Policy Mix	Overweight/Underweight	
Fixed Income	39.8%	40.0%	-0.2%	
Equities	55.1%	50.0%	5.1%	
Real Estate	5.1%	10.0%	-4.9%	
Investment Performance (March 31, 2024)				
	Quarter	1-Year	5-Year	10-Year
Actual Returns*	4.7%	11.7%	6.2%	6.6%
Policy Benchmark	4.7%	11.8%	6.2%	6.6%
Value Added	0.0%	-0.1%	0.0%	0.0%

* Net of Sun Life administration and investment management fees.

Peter Wall Legacy Fund Summary

Market Value	\$ 105 M			
Asset Mix Summary				
Asset Class	Current Mix	Policy Mix	Overweight/Underweight	
Fixed Income	28.5%	30.0%	-1.5%	
Equities	71.5%	70.0%	1.5%	
Investment Performance (March 31, 2024)				
	Quarter	1-Year	5-Year	10-Year
Actual Return	4.6%	12.4%	n/a	n/a
Policy Benchmark*	7.3%	16.6%	n/a	n/a
Value Added	-2.7%	-4.1%	n/a	n/a

* 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	1.7% ¹	
Carbon Footprint	Total Emissions - Tonnes CO2 / \$ million invested Intensity - Tonnes CO2 / \$ million sales revenue	45% Reduction from Baseline	2030	-49% ¹ -55% 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 the TCFD recommendations	n/a	March 2024	●	

¹ December 31, 2023 holdings

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