

# LOOKING FORWARD

# ANNUAL REPORT 2021

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# LOOKING FORWARD



Since 2003, UBC Investment Management Trust Inc. (UBC IMANT) has combined investment expertise with disciplined management to grow and protect the assets entrusted to us by The University of British Columbia, the UBC Staff Pension Plan and their stakeholders.

During the past year, as the devastating COVID-19 pandemic disrupted the global economy, we reinforced the stability of our long-term approach to asset management. At the same time, we undertook a significant evolution of UBC IMANT's overall strategy: our priorities and success measures, the structures and processes supporting our investment activities, and the governance framework that guides all decision-making.

Now, as the pandemic recedes and the world transitions to recovery, we're pleased to share the key elements of our evolved strategy as part of this annual report on UBC IMANT's achievements for the 2020-2021 fiscal year. As we pursue new investment opportunities and navigate the challenges ahead, we're looking forward to the future.

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# THE PATH TO OPPORTUNITY



**WHEN WE PRESENTED** our last annual report to UBC IMANT stakeholders, the pandemic was still gaining momentum, and there was a great deal of uncertainty around both immediate public health impacts and longer-term economic consequences. A year later, while the coronavirus and its variants continue to take a heavy toll, mass vaccination is offering hope that the worst of the pandemic will soon be behind us. Economic forecasts offer a similarly optimistic outlook, indicating a steady if uneven recovery.

For investors, the past year brought a high level of market volatility followed by relatively stable conditions — and in some sectors, very strong returns. But as Dawn Jia, UBC IMANT's President and CEO, explains in her message (see page 4), it's important to look past current market performance to evaluate economic fundamentals. And our assessment, like that of most institutional investors, is that returns over the next few years will be less dramatic than what we've seen in the past decade. Although there are plenty of opportunities for continued solid growth, identifying and leveraging them will require added discipline and a more finely tuned investment strategy.

This work was already under way when the pandemic hit. And it was a key focus for much of the 2020–2021 fiscal year, as the Board of Directors engaged with senior management and UBC's Board of Governors in a wide-ranging discussion of investment strategy, as well as UBC IMANT's overall trajectory as a leading university asset manager. A key outcome, detailed at length in this annual report, is a refreshed investment framework that brings new clarity and precision to how we collectively manage the university's assets and assign decision-making responsibilities.

## EVOLVING OUR INVESTMENT FRAMEWORK

To anchor this framework, we've introduced the concept of the Reference Portfolio, a set of public market assets chosen to reflect risk and return objectives of the university's Main Endowment Pool. The Reference Portfolio provides a standard for assessing risk exposure and measuring gains (or declines) in value resulting from investment decision-making. Equally important, the benchmark portfolio reinforces another key goal of our new investment framework: establishing clearer governance and accountability around the various components of our investment process.

We now have the right tools, a common language and a clear understanding of the interdependent roles of the key parties: UBC's Board of Governors, which determines overall risk tolerance and return targets based on the Reference Portfolio; the UBC IMANT Board of Directors, which oversees strategic asset allocation, including risk methodology and defining limits for factors such as liquidity; and the UBC IMANT team, which is responsible for implementing the actual investment portfolio, including selecting managers, balancing their investment styles and monitoring performance.

Specific choices around asset mix — getting the right balance, for instance, between infrastructure investments and emerging-market public equities — are made by those with the necessary expertise. Broader strategic concerns, such as ensuring long-term stability and preserving intergenerational equity, are subject to higher levels of review by delegates acting on behalf of the university and its stakeholders. The result is an oversight and decision-making framework that places UBC IMANT at the leading edge of governance among comparable institutional investors.

### COMMITTED TO INVESTING RESPONSIBLY

A key component of UBC IMANT's renewed investment strategy is our commitment to responsible investing, which has only intensified during a year in which the negative impacts of climate change became increasingly evident. Our investment framework assumes the continued integration of environmental, social and governance (ESG) considerations into all areas of UBC IMANT's activities — including the vetting and monitoring of managers that also embrace the principles of responsible investing.

This is how the aspiration to invest sustainably becomes embedded in our processes and practices: through strategic alignment, evidence-based decision-making and concrete action, driven by a collective sense of urgency. We're making significant headway on this key priority and expect more progress, including a further reduction in the carbon footprint associated with the Endowment, in the months ahead.

### THE RIGHT STRATEGY, THE RIGHT PEOPLE

The energy behind all this positive change comes, of course, from the people who shape the strategy and then work each day to put it into action. On behalf of the Board, I want to convey our deep appreciation to the entire UBC IMANT team for the breadth, pace and exceptional quality of their efforts over the past year — despite the challenges of working remotely and juggling the extra demands caused by the pandemic. In fact, the team has grown during this challenging time, adding important professional skill sets while reinforcing our commitment to creating a diverse, equitable and inclusive work environment in which everyone feels empowered to contribute to the mission.

That same spirit guides the evolution of the Board of Directors, which welcomes four new directors. Independent directors Hyewon Kong and Rakesh Saraf joined during the fiscal year. Hyewon, who is vice-president and head of responsible investing at Investment Management Corporation of Ontario (IMCO), combines deep expertise in sustainable investment with a wealth of experience in portfolio construction. Rakesh brings more than three decades of investment management experience with a focus on private equity and infrastructure investments.

During the fiscal year we also had a change of UBC-related directors. Board member Nancy McKenzie, formerly Chair of the Finance Committee of the UBC

Board of Governors (UBC BoG), was elected Chair of the UBC BoG. Nancy will continue to provide valuable guidance as UBC IMANT's governance structure and investment strategy mature. She was replaced on our Board by Azim Lalani, the current Chair of the Finance Committee of the UBC BoG. Azim has over 25 years of experience in the public and private sectors, with a particular focus on real estate investing. Our three new directors have added substantially to the already significant investment expertise of the Board.

As we issue this report in the fall of 2021, I join my fellow Board members in expressing our gratitude to Emilian Groch, a director since 2015, who will be rotating off the Board after our September meeting. Emilian has vast experience in pension investing, with a gift for incisive insights that tested and sharpened the Board's strategic thinking.

In closing, let me underline the Board's confidence in the entire UBC IMANT team under the exemplary leadership of Dawn Jia. The complexities of the post-pandemic recovery, the increasing severity of climate change impacts, the need to make investment decisions that balance sustainable outcomes with prudent management of risk — these are the challenges that define the path to opportunity. We believe that UBC IMANT has the right strategy, the right processes and tools, and above all, the right people to continue advancing the vision of a great university while helping to build a secure future for its many stakeholders.



**LISA PANKRATZ, FCPA, FCA, CFA**

Chair, UBC IMANT Board of Directors

# A STRATEGY FOR THE FUTURE



**A YEAR AGO**, when the full impact of the pandemic was not yet clear, there was a great deal of uncertainty among investors about what the future might hold. In our annual report to stakeholders, we underlined that UBC IMANT is built for stability: we constructed the university's Main Endowment Pool, Staff Pension Plan and other portfolios to withstand severe market fluctuations and deliver steady returns over the long term.

Twelve months on, we have a fuller picture of COVID-19's effect on global markets. After an initial period of volatility, many sectors regained and even surpassed their previous strong performance. This was welcomed by investors worldwide eager for signs of recovery — and it has benefited UBC IMANT's portfolios. In our investment outlook, however, we've stressed the need for caution. Like many economists and analysts, we see a disconnect between recent high returns and the slower, somewhat uneven pace of underlying economic growth.

This is not a new insight for UBC IMANT. Even before the pandemic, we recognized, alongside other institutional investors, that the level of return achieved over the past decade would be difficult to sustain in the future. To maintain the objectives set for UBC's

endowment and pension investments, we needed to maintain our rigorous risk management and other investment practices while exploring new sources of opportunity. And to guide and support that work, we realized it was time to review and refresh our overall investment strategy. That ambitious project is the centrepiece of our achievements for the past year, and it has set the course for UBC IMANT's planning, decision-making and investment activities going forward.

## A STRATEGIC EVOLUTION

In the fall of 2020, we undertook a comprehensive strategic review in consultation with our Board of Directors, UBC senior management and the university's Board of Governors. Together, we looked at emerging trends in institutional asset management, focusing especially on best practices for managing the investment process. We also examined the current state of UBC IMANT's investment approach and practices, as well as our governance structure. And we refreshed our organization's vision, mission and values, aligning them under a broader statement of purpose.

What emerged from these discussions was a more clearly defined framework for making investment decisions, measuring their effectiveness and determining how to continuously enhance our investment process. The cornerstone of this new investment framework (see page 12) is the Reference Portfolio — a model developed by the Canada Pension Plan Investment Board and subsequently adopted by institutional investors and university asset managers.

The Reference Portfolio comprises a set of public market assets that are carefully selected to align with the risk tolerance and return objectives established for UBC's Main Endowment Pool. It is a yardstick for gauging risk and the value gained (or lost) through our investment decision-making. The Reference Portfolio also ensures that the three tiers in our governance structure — the UBC Board of Governors, UBC IMANT's Board of Directors and our management team — have a shared understanding of the strategic vision, as well as a common language for delineating roles and attributing investment outcomes to specific decisions. The new investment framework makes the entire investment process more transparent, accountable and understandable for all stakeholders.

### ADVANCING SUSTAINABILITY

Our evolved strategy highlights and strengthens UBC IMANT's continued commitment to responsible investing. The efforts we've made to formally integrate environmental, social and governance (ESG) considerations into our investment process gained further momentum over the past year, as calls for global action on climate change became more urgent than ever. In September 2020, UBC's Board of Governors approved a comprehensive responsible investing strategy (see page 17) that sets concrete sustainable investment goals for the Main Endowment Pool and maps out how we can achieve them through a combination of divestment, active engagement with our managers and wider collaboration within the institutional investor community.

Our sharpened focus on responsible investing entails more robust disclosure and reporting practices. We're also bringing a new level of analytical rigour to how we build our portfolios. In our most recent endowment asset mix study, we conducted a rigorous climate risk analysis of the asset allocation process — a first for our organization, showing the degree to which responsible investing is now embedded throughout our investment process. By factoring in the potential impacts of climate change at an earlier stage, as we're making decisions on asset mix, we will advance the overall sustainability of UBC's endowment assets.

### INVESTING IN PEOPLE

The other critical element in UBC IMANT's strategic evolution is our team of dedicated professionals, which we expanded during 2020-2021 with the addition of several new positions. Like all maturing organizations, we know that our investments in information systems and analytical tools, however vital, simply support the people whose knowledge, skills and experience ultimately drive our success. I want to express my heartfelt thanks to everyone on the team for their disciplined focus and top-quality work, despite the added stresses caused by the pandemic. The sheer volume of accomplishments over the past year was extraordinary.

In a time of heightened awareness around issues of social injustice and inequality, we are more committed than ever to advancing diversity, equity and inclusion at UBC IMANT. Like the leading university that entrusts us with its assets, we're "working to build

a community in which human rights are respected, and equity and inclusion are embedded in all areas of academic, work and campus life." In our workplace, this means ensuring that team members of all identities feel heard and respected, and that everyone has the same opportunities to learn, grow and advance in their careers. It's a commitment grounded in the values of the UBC IMANT team as we shape a more agile, collaborative and effective organization.

In closing, I would like to express my gratitude to our Board of Directors, under the leadership of Lisa Pankratz as Chair, for their continued strong support and wise counsel. My sincere thanks as well, on behalf of the entire UBC IMANT team, to the UBC Board of Governors and executive leadership of UBC for providing invaluable guidance and insights as we've developed our next-generation strategy together. Moving forward, we can all feel confident that the university is well positioned to maximize investment returns and keep pace with the changing needs of its diverse stakeholders.

We're looking forward to the future.



**DAWN JIA, CFA**

President and Chief Executive Officer

# INVESTMENT HIGHLIGHTS

as of March 31, 2021

## UBC Endowment — Main Endowment Pool

4-YEAR RETURN

**7.1%**

10-YEAR RETURN

**8.3%**

## UBC Staff Pension Plan

4-YEAR RETURN

**6.7%**

10-YEAR RETURN

**7.9%**

## UBC IMANT assets under management

**\$5.2 billion**

## Other 2020-2021 Highlights

INCREASE IN ASSETS UNDER MANAGEMENT

**\$413 million**

INCREASE IN INVESTMENT RETURNS

**\$288 million**



### PUBLIC EQUITY PORTFOLIO

Manager lineup review and planned transition to higher-performing strategies and more diversified investment styles



### PRIVATE DEBT, INFRASTRUCTURE AND REAL ESTATE PORTFOLIOS


Asset class review and significant new capital deployment



### PRIVATE EQUITY PORTFOLIO

Asset class approach redesign

# OUR ORGANIZATION AND GUIDING PRINCIPLES

A photograph of two women walking in a modern university hallway. The woman on the left is wearing a teal long-sleeved shirt and blue jeans, and is gesturing with her hands as if speaking. The woman on the right is wearing a light pink t-shirt and grey pants. Both are wearing face masks. The hallway has a polished floor that reflects the overhead lights. In the background, there are signs for 'Club Rooms 4302 A-F' and 'The Commons'.

**UBC Investment Management Trust Inc. — generally known as UBC IMANT — was established in 2003 to provide comprehensive portfolio management and advisory services to The University of British Columbia.** A wholly owned subsidiary of the university, we are responsible for investing the Main Endowment Pool, the Staff Pension Plan, the Working Capital Fund and other portfolios. Our goal in managing these assets is to maximize net real returns commensurate with the objectives, liability requirements and risk parameters of each fund. As we work on behalf of our stakeholders, we ground our decision-making in a clear set of principles:

## Our purpose

Pursuing excellence in investment management for our endowment and pension clients.

## Our vision

To be a leading investment office.

## Our mission

To be a trusted and innovative partner by:

- financially supporting the university's research, students and educational programs
- providing a sustainable pension for current and former employees
- supporting the university's responsible investing goals.

## Our values

### Focused

- We are a professionally managed investment organization, driven to produce superior risk-adjusted returns.
- As a manager of managers, we strive to excel in the diligent selection and monitoring of our investment partners.

### Client-centred

- We foster a culture of transparency and service excellence.
- We communicate clearly and pursue regular, meaningful interactions with our clients.

### Trusted

- We forge partnerships built on trust and respect with our clients, managers and service providers.
- We collaborate with investors and organizations whose investment objectives align with our own.

### Continuously improving

- We constantly adopt more agile, efficient structures and processes aimed at leveraging our size and culture, and enhancing our competitive advantage.
- We regularly seek out new tools, data and partnerships that allow us to operate more cost-effectively.
- We steadily acquire additional knowledge, techniques and insights to refine our investment approach in changing market conditions.

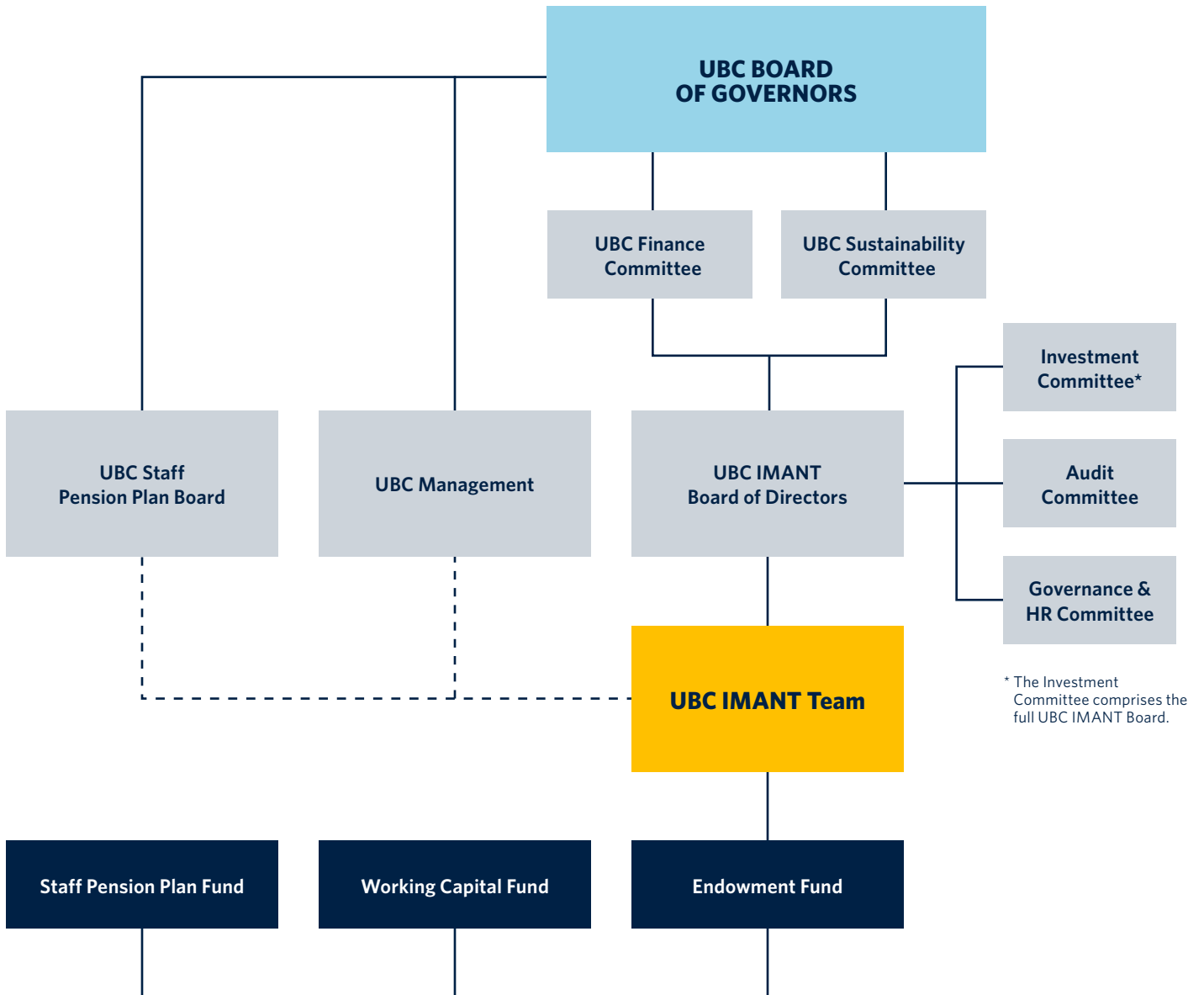
### One team

- The asset we value above all others is our people.
- We foster diversity, equity and inclusion, ensuring that everyone feels welcome and has the same opportunities to learn, contribute and realize their potential.
- We work as one team, collaborating to create a more nimble, responsive and effective organization.

# OUR GOVERNANCE STRUCTURE

**THE UNIVERSITY OF** British Columbia has overall responsibility for managing UBC’s investment portfolios and the Staff Pension Plan. The university’s Board of Governors appoints the UBC IMANT Board of Directors, which in turn delegates our President and

Chief Executive Officer to oversee the day-to-day administration and investment of the funds. In our investment activities, UBC IMANT is granted specific responsibilities and powers within a clearly defined governance and organizational structure.



# THE BOARD'S RESPONSIBILITIES



**UBC IMANT's Board is currently composed of nine directors appointed by the university's Board of Governors. Three are UBC-related directors — senior university executives and representatives of the Board of Governors and the Staff Pension Plan Board. The other six independent directors are members of the business community recommended by our Board and approved by the UBC Board of Governors.**

Meeting at least quarterly, the Board of Directors provides oversight and governance to UBC IMANT. The Board has three standing committees: Investment, Audit, and Governance and Human Resources. In addition, the Board strikes working groups on an ad hoc basis to oversee and guide significant investment-related projects.

The Board discharges its main investment-related responsibilities through the Investment Committee, which comprises all directors. Its responsibilities include:

- Formulating investment beliefs to guide the development of investment policies.
- Recommending investment policies for all UBC funds — with the exception of the Staff Pension Plan — to the UBC Board of Governors, taking into account each fund's objectives and risk tolerances. This includes asset allocation, benchmarks and the currency hedging policy.
- Ensuring the appropriateness of long-term asset mixes — relative to both obligations/liabilities and return objectives — and advising if these are not aligned.
- Approving UBC IMANT's manager selection process.
- Monitoring and evaluating our investment performance and operational cost-efficiency against objectives and benchmarks.

# THE UBC IMANT TEAM'S RESPONSIBILITIES

**Our close-knit professional team takes a highly collaborative approach to managing the university's assets, leveraging our collective knowledge and experience as we execute strategy and continuously improve our systems and processes — all in pursuit of sustainable long-term growth.**

UBC IMANT's clients across the university establish return requirements and risk preferences that are factored into specific investment policy recommendations for each portfolio — with the exception of the Staff Pension Plan (SPP). Our President and CEO presents these recommendations to the UBC IMANT Board for review. The Board then recommends investment policies to the UBC Board of Governors for approval.

The policy for pension-related investments is prepared by the SPP Board — in collaboration with UBC IMANT and the plan's own investment and pension consultants — and then recommended to the UBC Board of Governors for approval.

Once a fund's investment policy has been approved, UBC IMANT is responsible for implementing the investment policy asset mix. Rather than making direct investments, we work with external investment managers. (For more details on manager selection, see page 23.)

The UBC IMANT team works under the direction of the President and CEO with oversight by our Board. Our responsibilities include:

- Preparing the university's long-term investment policies for each fund's obligations and risk tolerances, and recommending these to our Board (for ultimate submission to the UBC Board of Governors).
- Implementing policy asset mixes.
- Evaluating each portfolio's performance to ensure effective implementation of the long-term policy asset mix.
- Evaluating the appropriateness of asset mixes across our portfolios relative to liabilities and return objectives.
- Evaluating, hiring, monitoring and, when appropriate, dismissing external investment managers.
- Ensuring efficient and cost-effective day-to-day operations.

We report regularly to the UBC IMANT Board, the SPP Board and the UBC Board of Governors.

# OUR EVOLVING INVESTMENT STRATEGY



For nearly two decades, UBC IMANT has stewarded UBC's endowment and pension assets with a balance of disciplined investment practices and rigorous management of risk. In doing so, we've built a record of strong, reliable returns.

Sustaining the same level of returns will be more of a challenge going forward. Rapid technological innovation, the impacts of climate change, widespread calls for greater social equity, new areas of geopolitical instability — these are just some of the factors shaping the investment landscape and prompting institutional investors to rethink existing models.



**UBC IMANT IS** no exception. During the past year, the economic uncertainty caused by the pandemic underlined an already evident need to explore new areas of investment opportunity. As a first step — to better focus the efforts of our team, the guidance of our Board and the oversight of the university leadership — we recognized a need to revisit our overall investment strategy.

In the fall of 2020, we therefore embarked on an in-depth review of UBC IMANT’s investment planning and activities, working closely with our Board of Directors and the university’s Board of Governors. We reviewed our investment strategy in light of current best

practices and emerging trends among institutional investors. We also examined the governance structure by which our various stakeholders oversee and contribute to the investment process.

The outcome of this comprehensive review is a more robust strategic framework setting out key process steps for investment decision-making, measurement and attribution of returns — as well as the stakeholder responsibilities associated with each process step.

# INVESTMENT FRAMEWORK



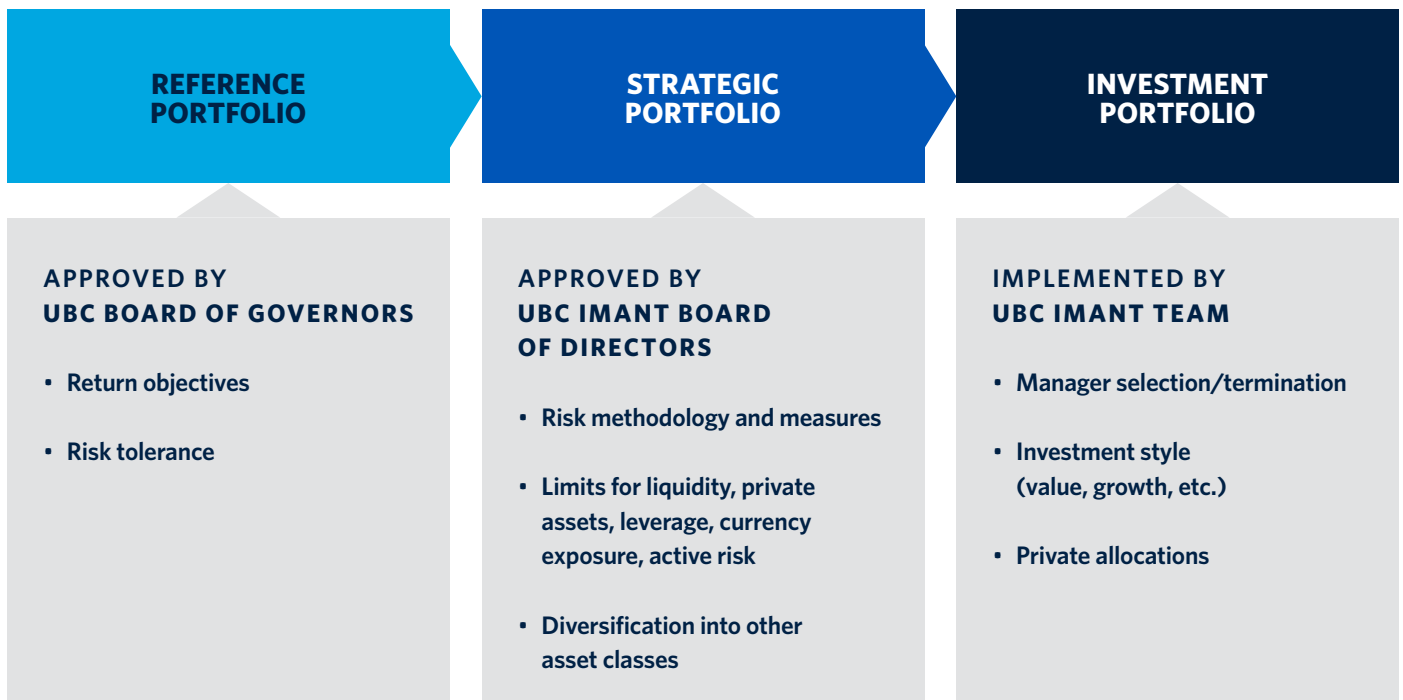
Anchoring our evolved investment framework is the Reference Portfolio, a set of public market assets that establishes a benchmark for the risk tolerance and return objectives of UBC's investment portfolios. Simple and cost-efficient, the Reference Portfolio requires minimal effort to design and implement, yet provides an objective, market-based yardstick for evaluating risk and measuring gains or declines within our actual portfolios.

The next tier in our new investment framework is Strategic Portfolio asset allocation. This is the set of high-level decisions that map out a diversified asset mix for the Main Endowment Pool. Assets must be investable (i.e., not privately held) and for the most part are

managed passively, with returns attributable to asset class performance and exposure to systemic risks.

The third tier is the actual Investment Portfolio, which is actively managed to maximize net returns. Ongoing decision-making at this level includes investment manager selection, diversification of strategies within asset classes, and movement between asset classes within specified ranges.

# ALIGNING STRATEGY WITH GOVERNANCE IN THE ENDOWMENT



## ALIGNING RESPONSIBILITIES

In evolving this new investment framework (initially for the Endowment portfolio), we have aligned it with UBC IMANT's existing levels of governance, agreeing upon and clearly spelling out oversight and decision-making responsibilities for each tier.

UBC's Board of Governors approves return objectives and risk tolerance parameters for the Reference Portfolio, based on recommendations from the UBC Finance Committee (in consultation with the UBC IMANT Board of Directors).

The UBC IMANT Board approves the Strategic Portfolio with recommendation from the President and CEO, including our risk management methodology and

the limits for liquidity, leverage and active risk, among other factors.

UBC IMANT's President and CEO, in consultation with her team, approves implementation and active management strategies of the actual portfolio, including manager selection, investment styles and allocations to private assets.

This newly refined structure, with the Reference Portfolio as its foundation, makes the entire investment process more transparent for all stakeholders. Across the three tiers of oversight there is a shared language for defining roles, ensuring accountability and linking specific decisions to measurable investment outcomes.



### PUTTING OUR STRATEGY INTO ACTION

UBC IMANT's evolved investment strategy is our carefully considered response to the fast-changing investment environment. To fully realize its goals, we're also moving forward on several other key priorities, including:

- The continued professionalization of our team to ensure we have the capabilities and experience to meet future investment challenges.
- The implementation of new processes — supported by advanced digital tools, data and analytics — to achieve higher returns.
- The steady adoption of ESG integration and other aspects of responsible investing (see page 17).
- The need to build more partnerships in specialized areas such as technology-driven operations and sustainable investment.

With this new strategic foundation in place, UBCIMANT is well positioned to tackle the growing complexity of global markets while continuing to deliver exemplary service and optimal returns to our clients. Guided by clear governance and an objective benchmark for assessing progress, we can focus as a team on achieving the best possible returns for the university and its many stakeholders — from students, faculty and current staff to retired employees and the broader UBC community.

## 2020-2021 Highlights

- Finalized UBC IMANT's statements of Purpose, Mission, Vision and Values.
- Developed the philosophy, guiding principles and design for our new investment framework.
- Established an implementation roadmap and priority projects for our evolved investment strategy.
- Expanded the UBC MANT team, hiring a senior portfolio manager and a senior investment analyst to add capabilities and experience for more complex projects.
- Established an intern program with a view to extending it year-round.

# OUR COMMITMENT TO RESPONSIBLE INVESTING



UBC IMANT remains deeply committed to ensuring that the principles of responsible investing are embedded in our overall strategy as we support UBC's resolve to address the climate emergency.

We expect our investment managers to consider environmental, social and governance (ESG) factors in all their decision-making — and we hold them to account.

**WE'VE TAKEN A** formalized approach to sustainable investment since 2014 and have progressively aligned our policies and practices with the United Nations-supported Principles for Responsible Investment (PRI), of which UBC IMANT is a signatory on behalf of the university and the Staff Pension Plan.

#### **SHARPENING OUR STRATEGY**

In 2020-2021, we developed a more comprehensive responsible investing strategy, setting priorities to reduce climate change-related risk in our portfolios while continuing to uphold our fiduciary duties. Specifically, we've committed, on behalf of UBC, to a 45% reduction in the carbon footprint (in terms of greenhouse gas emissions) of the Endowment portfolio by 2030. We've published our current carbon footprint estimate as a baseline for evaluating future progress. Reinforcing our commitment to transparency, we've also provided detailed disclosures on our investments in public market assets for interested parties to review. And we've established Active Ownership Guidelines that set out our priorities for ESG-related engagement, affiliations and advocacy.

These responsible investing activities are aligned with UBC's broader climate action commitments, which include divestment of all holdings in fossil fuel companies from the Endowment portfolio by 2030 (or sooner, pending product availability) and investing in companies that are working to meet the terms of the Paris Agreement on climate change. We support the university's broader sustainability goals and will be collaborating on community engagement initiatives to explain our responsible investing strategy.

#### **THE COMPLEXITIES OF DIVESTMENT**

UBC IMANT, as a manager of other investment managers, is not positioned to directly target a specific sector or group of companies for divestment. Instead, we bring a divestment lens to our manager selection process, which integrates added ESG considerations as our responsible investing practices evolve in step with those of other institutional investors.

Initially, we will focus on divesting from managers with exposure to heavy greenhouse gas emitters such as fossil fuel companies, outdated utilities and selected materials producers. We will evaluate managers' responsible investing track record based on both performance and carbon footprint.

Divestment from fossil fuels, while important, will only create an estimated reduction in carbon emissions of 8% to 18%. To reduce emissions by 45% by 2030 — and achieve UBC's longer-term goal of net zero emissions by 2050 — we will have to extend our strategy much further. In the current marketplace, however, sustainable investment options remain limited. Funds that are free of fossil fuels, for example, represent a small subset of available funds — and may offer lower returns. However, with the global movement toward responsible investing we expect to see a range of new investment opportunities. Assessing which of these hold the most promise, and then balancing greener outcomes with the potential impact on returns and costs, is the challenge ahead.

UBC IMANT has embraced a holistic approach — combining active ownership and careful manager selection with the sharing of knowledge and best practices among our peers — that we believe will position UBC as a leader in responsible investing.

# OUR HOLISTIC APPROACH TO RESPONSIBLE INVESTING

## Divestment

Expand beyond fossil fuel extractors to focus on all major emitters, in a process that will evolve with the investment industry.

## Active Ownership

Encourage our managers to start divesting from major emitters, and further integrate responsible investing goals into our active ownership policies and practices.

## Leadership

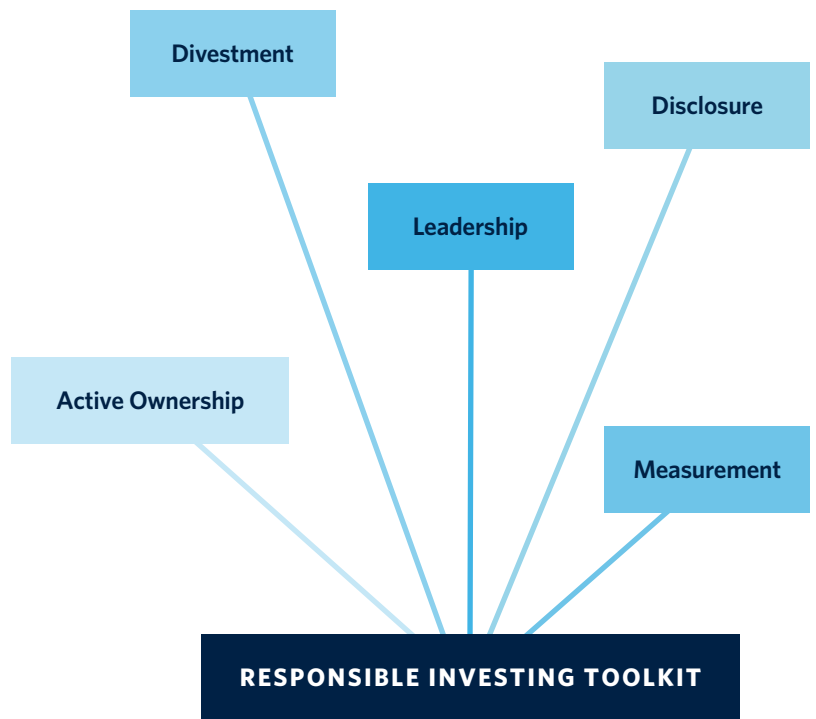
Amplify UBC IMANT’s impact as a thought leader by influencing our managers to adopt responsible investing policies and best practices.

## Disclosure

Encourage our managers to disclose ESG and climate risk assessments that will better inform both investors and the companies in their portfolios.

## Measurement

Define a balanced set of performance indicators to guide the overall process, driving investor and management actions that advance UBC’s sustainability goals.



### RESPONSIBILITY IN ACTION

Considering ESG factors in our investment decisions not only strengthens risk assessment; it's a critical part of UBC IMANT's fiduciary responsibility to the university and its stakeholders. We put our clients' responsible investing policies into action in four ways:

- **Manager selection and evaluation:** We expect all of our managers to apply an ESG lens in structuring the investments they contribute to UBC's portfolios.
- **Investor engagement:** We ask managers, wherever possible, to use their proxy votes to promote best ESG practices including transparency on ESG policies, procedures and related activities.
- **Direct engagement:** When UBC IMANT has significant exposure to a company, industry or national economy faced with a major ESG challenge, we encourage our managers to engage directly and in some cases join forces on these initiatives.
- **Collective engagement:** On ESG-related issues of broader significance, we will coordinate our efforts with issuers, regulators, oversight bodies, industry groups and other key players to ensure all parties are aligned in terms of both business practices and guiding values.

As we strengthen our own responsible investing approach through professional development and by adopting ESG-related analytical tools, we also support our managers by sharing knowledge, insights and best practices. Our public equity managers are independently evaluated and monitored on their sustainable investment practices. After confirming these evaluations with our own assessments, we collaborate to bridge any potential gaps in the weighing of ESG factors. At the same time, we're pleased to see growing adoption of responsible investing strategies by private markets managers as well.

## 2020-2021 Highlights

- UBC IMANT made a \$110-million commitment to be managed by Impax Asset Management, a specialist asset manager that invests in opportunities arising from the transition to a more sustainable global economy.
- 100% of UBC IMANT's public asset managers are signatories to the UN-supported Principles for Responsible Investment.\*
- 92% of our private asset managers incorporate ESG considerations into their investment decisions.\*
- UBC IMANT commissioned an expert analysis of climate risk, the Endowment Asset Mix Study — one of the most rigorous assessments for an asset allocation process.
- Our new ESG Scorecard tracks implementation of responsible investing practices at the asset and manager level, measuring our progress while strengthening governance and accountability.
- We now publish the public equities holdings of the Endowment and Staff Pension Plan on the UBC IMANT website, reinforcing our clients' commitment to transparency.

\* Percentages based on assets under management by each manager.

### ESG Update: Public Markets

During the 2020–2021 fiscal year, UBC IMANT’s public equity managers continued to engage with companies on a range of ESG-related issues, from the need for explicit policies on labour relations and workplace standards to advancing gender equity and other forms of diversity on boards and executive teams.

At this point, our managers have achieved near-universal transparency in monitoring and reporting on the CO<sub>2</sub> emissions of the organizations in their portfolios. Over the past few years, we have significantly deepened our understanding of how to assess carbon exposure and its impact on investment returns. Moving forward, we will continue working with our partners to better harmonize data collection and analysis to ensure we are accurately assessing the carbon footprint of UBC’s investments.

Emerging markets continue to present challenges to responsible investors on many fronts, from inadequate reporting standards and low compliance levels to significant gaps in the available ESG data. Our rigorous manager selection process — and the importance we place on meaningful engagement with companies that historically may not have faced such inquiries — have helped to strengthen our responsible investing efforts.

### ESG Update: Private Markets

Leveraging our experience in applying responsible investing principles to public equities, in 2020–2021 we continued engaging with existing and prospective private investment managers to become PRI signatories if they weren’t already, and to get their commitment to apply an ESG perspective to future reporting, if not already doing so.

As of March 2021, more than 92% of UBC IMANT’s private asset managers incorporate ESG considerations into

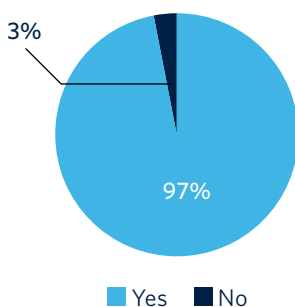
their investment decision-making, and 83% provide status updates on their responsible investing activities at the firm level or fund level. While some managers are industry leaders, others are still in the process of establishing a framework and policies for responsible investing, implementing and developing capacity to measure and report ESG-related matters. Many of our private asset managers continued to earn industry recognition in the form of awards and high rankings for their responsible investing efforts (e.g., the Global Real Estate Sustainability Benchmark for real estate and infrastructure, and the Principles for Responsible Investment). They also participate in collaborative advocacy efforts, such as the Net Zero Asset Managers initiative, an international group committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

Our real estate managers are expanding their use of metrics and targets to measure and lower energy usage, reduce waste, reduce overall greenhouse gas emissions and seek LEED certification where it benefits their investments.

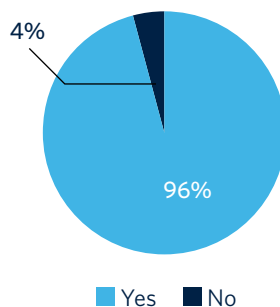
Infrastructure managers are at various stages in their responsible investing journeys, with some collecting and reviewing company KPIs in areas such as carbon emissions, health and safety, labour and diversity, and data security. Other managers are exploring climate risk assessment and developing carbon transition plans.

While private debt managers are higher in the capital structure and have less control over the operations of the investment, we have also seen increased engagement with borrowers in terms of requesting ESG reporting and ESG-based interest rate reductions.

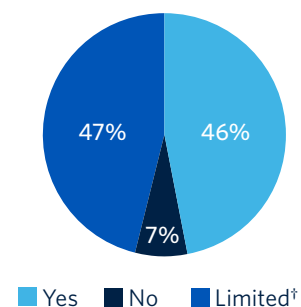
**Manager incorporates ESG into investment process\***



**Manager is a PRI signatory**



**Manager reports on ESG performance**



\*Includes public and private market managers.

†Manager provides an ESG report at the firm level but not at the fund level.

# RESPONSIBLE INVESTING TIMELINE

## 2011

- The university's Responsible Investment Committee for the Endowment reviews and establishes best practices.

## 2014

- UBC establishes a Responsible Investment Policy for the Endowment.
- UBC IMANT joins the Canadian Coalition for Good Governance.

## 2015

- An independent expert is hired to audit the ESG-related practices of our public equity managers.
- Our first use of third-party ESG ratings data to evaluate all public investments.

## 2016

- UBC IMANT joins the Investor Stewardship Committee of the Pension Investment Association of Canada.
- We adopt ESG scoring for public market investments.
- CO<sub>2</sub> emissions across our managers' public equity holdings are an estimated 15% lower than standard indices.

## 2017

- Collaboration with the UBC Staff Pension Plan Board on best practices in ESG-focused investing.

## 2018

- UBC Sustainable Future Pool established.
- Second independent review of ESG performance among our public equity managers.
- All investment managers of UBC's public assets sign the UN-supported Principles for Responsible Investment (PRI).

## 2019

- A review of UBC IMANT's private asset managers shows significant adoption of responsible investing principles.
- Collaborative engagement with regulators on climate risk disclosure, gender equity, executive compensation and shareholder rights, among other issues.
- Near-universal disclosure of CO<sub>2</sub> emissions from our public equity managers.

## 2020

- UBC approves our Responsible Investing Strategy.
- UBC IMANT seeks to further reduce carbon exposure in our portfolios.
- Expert assessment of the impact of climate risks on endowment assets.
- UBC Staff Pension Plan adopts and approves a responsible investing policy.
- UBC IMANT becomes a signatory to the PRI on behalf of UBC and the UBC Staff Pension Plan.

## 2021

- UBC IMANT releases the 2020 UBC Endowment Carbon Footprint Report.
- Climate risks are incorporated into the UBC Endowment Strategic Asset Mix Review.
- UBC IMANT commits \$110 million to a strategy that invests in opportunities arising from the transition to a more sustainable global economy.



# THE PILLARS OF OUR INVESTMENT PROCESS

## **I: Manager Selection**

As our investment strategy evolves, it continues to be anchored by a key strength of UBC IMANT: choosing the right partners. Our manager-of-managers model is both a time-tested best practice and the most cost-effective approach for the scale of our assets under management. Much of our team's time, energy and expertise is directed toward evaluating and monitoring current and potential investment managers — an investment that yields risk-adjusted returns.

## **II: Risk Management**

Equally crucial to our investment process is prudent, systematic risk management.

Working within a robust governance structure, our experienced risk management team combines up-to-date holdings information with detailed analytics to determine how and where various potential risks could have an impact on UBC's portfolios.

# SELECTING THE RIGHT INVESTMENT PARTNERS

**GUIDED BY THE** long-term policy asset mix for each portfolio approved by the UBC Board of Governors, the UBC IMANT team determines an appropriate investment strategy and selects external management firms for every asset class within each portfolio. In seeking skilled managers that can deliver value over time, we have a key advantage relative to our Canadian peers: our size. UBC IMANT has sufficient scale to gain significant fee savings; at the same time, we're not so large that we face potential challenges in achieving our target asset allocations.

When selecting a new external manager, we look for a partner with the skills, experience and relationships to deliver value-added returns for the current mandate — while also providing a platform we can build on together over the long term. Just as importantly, we expect our managers to be transparent in demonstrating how they execute their investment strategies, both via timely, informative reporting and through sharing data and knowledge.

## **SEEKING NET VALUE ADDED**

We believe that superior manager selection skills, combined with a carefully designed manager structure, can add value over time. However, we recognize that sometimes implementation costs can overpower potential returns. We therefore base our decision to work with a particular manager on that organization's ability to deliver net added value. We choose an active investment manager only if the projected return, net of all costs, justifies the additional risk and complexity.

## **CHOOSING THE RIGHT MANAGERS**

The success of UBC IMANT's overall investment strategy depends on our careful evaluation of prospective managers to ensure they meet our

standards and can achieve the university's goals. This is our primary risk management tool. Therefore, our investment due diligence process must be extremely rigorous to provide confidence that a chosen partner will benefit our clients' portfolios.

In 2020–2021, we began the transformation of our manager selection and due diligence processes to better support our refreshed mission and purpose. The overriding objective is to establish more clearly defined steps for identifying, assessing and monitoring the practices of the managers we choose to work with — and to foster a shared culture of continuous improvement. The foundations for this transition are in place, and we'll be building on them throughout 2021–2022.

Most of our manager searches are executed in-house. A senior member of the UBC IMANT team establishes the parameters of the mandate, leads the search process and provides a recommendation for the full team's consideration. We find potential managers through internal and industry databases, networking within the investment community and ongoing discussions with our peers and existing managers.



### OUR APPROACH TO DUE DILIGENCE

Evaluating a potential manager involves an extensive, disciplined and in-depth analytical process. Although each search is tailored for a particular asset class and mandate, in fulfilling our investment and operational due diligence we adhere to a consistent set of criteria:

- Ownership and organizational structure
- Investment team experience and expertise
- Investment philosophy and investment process
- Responsible investing and ESG integration
- Performance and portfolio fit
- Fees and alignment of interests

This information, coupled with insights gained through managing our existing portfolios, allows us to determine the suitability of a manager's approach in the context of UBC IMANT's overall investment strategy. An equally important consideration is the quality of a manager's business and operations. We evaluate a prospective partner as a going concern, along with its reputation for integrity and operational risk management practices, to ensure that investment returns will not be compromised by poor management.

Another key dimension of UBC IMANT's due diligence is our use of sophisticated models and software in our research and analysis. Equipped with effective analytical tools, our team can stay focused on gaining the essential insights that meticulous analysis reveals. We continually evaluate tools from third-party providers that may enhance our productivity. At the same time, we recognize that even the most

advanced digital tool is only as effective as the experience and professional judgment of its user. By balancing rigorous quantitative analysis with qualitative insights, and by working as a team to continuously improve our decision-making, we're able to make manager choices that we believe will benefit UBC over the long term.

Our President and CEO approves manager selections within delegated authority with support from UBC IMANT's investment and operational teams. As part of this process, we prepare a formal due diligence report on all aspects of the investment process, including ESG considerations.

### MONITORING OUR MANAGERS

Once UBC IMANT has committed to and funded an external investment manager, we establish consistent monitoring to confirm our original investment thesis, as well as to identify any changes in approach or deviations from expectations. This monitoring process includes the review of performance and other reports, quarterly meetings and conference calls, and the regular collection of portfolio holdings data for internal risk management. We report to the UBC IMANT Board any change in status of an external manager including when they are hired, terminated, and placed or removed from a watch list.

# OUR RISK MANAGEMENT FRAMEWORK



**DELIVERING THE RETURNS** required to support the university's endowment and pension commitments entails a degree of uncertainty and risk of loss. UBC IMANT's risk management framework explicitly recognizes both investment and operational risks, evaluating each with respect to its impact on returns and the sustainability of our long-term goals. Risk categories such as equity risk, interest rate risk, currency risk, liquidity risk, etc., are assigned a degree

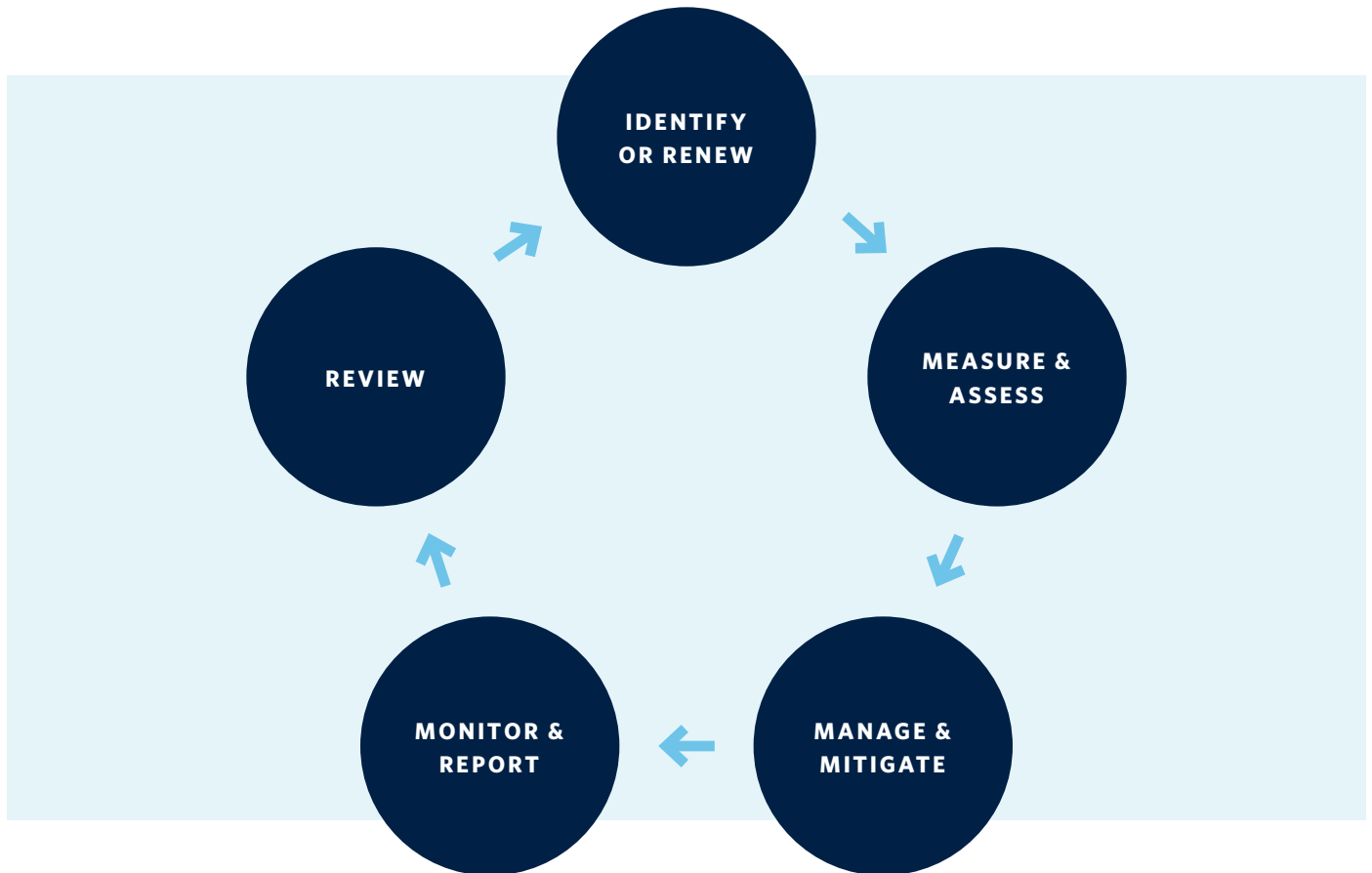
of risk appetite that is translated to relevant risk limits and establishment of mitigation strategies.

We avoid or reduce risks that we expect will be inadequately compensated, instead pursuing those we believe will provide appropriate compensation — working within the available risk budget to generate the highest expected returns for our stakeholders.

# A HIGHLY DISCIPLINED APPROACH

**THE UBC IMANT** team continually reviews detailed risk and exposure estimates for the university's pension and endowment portfolios. We start by identifying a broad range of potential risks and estimating their likelihood of occurrence and potential severity of impact. In taking any mitigation steps, we are guided by our stakeholders' level of risk tolerance. Primary

objectives include maintaining the pension promise, preservation of intergenerational equity, cash-flow requirements and ESG considerations. We then monitor our risk exposures and report regularly to stakeholders as we work to ensure that all risk estimates remain within acceptable limits.



# ESCALATING LEVELS OF GOVERNANCE

**UBC IMANT'S BOARD** of Directors identifies a set of key measures that are reviewed quarterly against clearly defined limits using a risk dashboard.

In managing the university's endowment and pension assets, we employ the "traffic light" model of escalating governance requirements. When risk estimates are comfortably below limits, we exercise our investment discretion without involving the Board. As risk estimates rise, governance guidelines require us to engage the Board, typically by outlining specific risk mitigation steps in the event that a given risk parameter reaches its limit. If a limit is breached, responsibility escalates to the Board, which must decide either to implement mitigation measures or authorize a higher limit.

There are numerous risk and exposure measures with assigned limits. Because we take an active approach to using the available risk budget, it is not uncommon for some of those measures to trigger escalation — at which point the Board serves as an additional resource to evaluate the drivers of risk exposure. The Board guides investment decision-making by directing our team to either reduce exposure to a given risk or maintain it with the expectation of generating appropriate returns.

	UBC IMANT team makes investment decisions as per our Policies & Procedures with quarterly updates to the UBC IMANT Board.
	First escalation limit — UBC IMANT team proposes a risk mitigation approach if a given risk increases.
	Second escalation limit — UBC IMANT's Board decides to implement risk mitigation steps or operate at an elevated risk level.

# MONITORING AND REPORTING RISK

**RISK MANAGEMENT AT** the asset-mix level involves regularly rebalancing our portfolios to remain within defined weight ranges for asset classes. In addition, we must constantly monitor the volatility of realized returns to ensure we remain within established limits going forward.

In UBC IMANT's manager-of-managers model, the external investment managers we select are responsible for day-to-day investment decisions. Our risk management process is designed to provide transparency as we aggregate holdings and exposures across multiple managers.

We base our analysis on current information rather than relying solely on historical data. The portfolio information provided by each manager is captured in an analytics system that enables us to form a detailed understanding of all holdings. The technology also allows us to evaluate individual portfolios against the relevant benchmark for a given asset class, confirming managers' consistency of performance according to the various investment styles they implement.

Our risk management efforts extend beyond individual manager oversight. We aggregate the investment holdings of all managers, within asset classes and across the entire portfolio, to stay alert to unintended exposures and monitor potential buildups of concentrated exposures. In the case of liquid assets, this process enables us to adjust risk exposures by changing the amounts invested using specific strategies. At the same time, because more than a third of our investments are in illiquid, private assets, we also use holdings-level transparency to guide decision-making on future investments and ensure we maintain appropriate portfolio diversification.

In order to evaluate combined exposures from both public and private investments, we use public securities as proxies for our private holdings. This enables us to estimate the total amount of risk in our portfolios and analyze differences between specific portfolios and the overall policy asset mix. Understanding these explicit relative or active exposures helps us improve each portfolio's risk-return profile.

In recent years, we have further evolved our total-portfolio approach by migrating to a robust comprehensive database environment, which has improved our "look-through" capabilities across all investments. This provides a more integrated view of overall performance while offering deeper insights into specific factors — allowing us to fine-tune, for example, our foreign-exchange hedging to gain added value. We have developed an enhanced framework for managing the amount of active risk in our portfolios and evaluating the benefits of active management. This framework, when fully implemented, will allow us to invest even more efficiently within our limited risk budget.

The measures and exposures we monitor — and share through internal reports and via the Board's risk dashboard — include absolute risk; risk relative to the policy asset mixes; portfolio concentration, liquidity and leverage; and stress loss estimates.

<b>Absolute risk</b>	Volatility of returns
	Sensitivity to equity markets
	Foreign currency exposure
<b>Relative risk</b>	Active risk relative to benchmarks
	Active capital allocation
	Differences in interest rate sensitivity
<b>Portfolio attributes</b>	Concentration
	Liquidity and cash flows
	Leverage
	Stress tests results

# INVESTMENT REVIEW 2020-2021



**At March 31, 2021, UBC IMANT managed \$5.2 billion in assets across five portfolios. Each portfolio has different risk and return objectives and varies in policy asset mix, as well as corresponding performance results.**

Other than the Working Capital Fund — a shorter-term fixed income portfolio that helps support the university's capital needs — all are balanced pools containing traditional investments in public equities and bonds. The Main Endowment Pool and the Staff

Pension Plan also include alternative investments such as private equity, private debt, real estate, infrastructure and (for the Main Endowment Pool only) absolute-return strategies.

Our portfolios are constructed with investments from multiple asset classes to ensure risk diversification. During the asset-allocation process, we also consider client preferences, time horizon, liquidity requirements and other factors such as investment management fees.

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# MARKET COMMENTARY

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The global economy experienced a significant setback in 2020 as a result of the COVID-19 pandemic, with real global output contracting by an estimated 3.2% over the calendar year. The economic damage that came from worldwide lockdown measures was significantly greater and more abrupt than anything experienced in recent memory, with the bulk of the impact coming in the first quarter of UBC IMANT's fiscal year.

Given the nature of the pandemic, the economic shock was also particularly concentrated in a number of sectors such as hospitality, transportation and the broad services sector while manufacturing was generally able to maintain operations during the public health crisis.

Despite the poor economic backdrop, UBC IMANT portfolio returns have been strong over the past 12 months, as the bulk of negative returns in financial markets were experienced at the tail end of the 2019–2020 fiscal year ending March 31, 2020. Unprecedented policy actions taken by fiscal and monetary authorities have provided substantial support to households and small businesses impacted by COVID-19, preventing far worse economic outcomes. Central banks around the world provided swift market liquidity and credit support to calm investors and lower companies' borrowing costs, while fiscal authorities channelled relief to households and small businesses through wage subsidies and extended unemployment programs.

Together, along with successful vaccine development, these actions prevented an impending wave of personal and corporate defaults that would have prolonged the economic downturn.

Equity markets have shown the highest sensitivity to the economic recovery. Global equity market indexes reached their lows in March 2020 and have since experienced a "V-shaped" recovery, propelled by the unprecedented fiscal and monetary policy response and rapid development of effective vaccines. The global equity index jumped by 36% in Canadian dollar terms over the one-year period ended March 31, 2021; in August, it breached pre-pandemic highs. Healthy equity returns were broad-based geographically but dispersed across industry sectors. Gains were particularly strong in the U.S. market, driven by a comparatively higher weight to the technology sector, which performed strongly.

In fixed income markets, government bond yields spent much of the fiscal year near record-low levels before rising sharply at the beginning of 2021, with U.S. and Canadian 10-year bond yields returning to pre-pandemic levels. The rise in yields reflected a combination of higher inflation expectations and rising real yields. Shorter-term rates remained anchored near zero through the fiscal year as central banks continued to signal no intentions of raising policy rates in the near term. Credit market developments largely mirrored the cautious approach to equity markets, with credit spreads narrowing significantly over the course of the fiscal year, benefiting our portfolios' performance.

Adding to these developments, the Canadian dollar also had a standout year in the period ending March 31, 2021, rebounding strongly after suffering a sharp decline against the currencies of most major developed countries in March 2020. The loonie appreciated by over 10% against the U.S. dollar as risk sentiment improved and commodity prices rallied, ending the 2020–2021 fiscal year at pre-pandemic levels.

# 2020-2021 INVESTMENT PERFORMANCE

Values as of March 31, 2021



*Note: Changes shown in market values reflect investment earnings, as well as cash flows into and out of the portfolios. Not included in the chart are an additional \$192.5 million of endowed assets at other foundations that support UBC-based programs (see page 36). While UBC IMANT reviews the performance results of these investments on behalf of the university, we do not have discretion over the related assets.*

# FUNDS UNDER MANAGEMENT

**UBC'S ENDOWMENT FUNDS** reflect more than a century of philanthropic giving by generous donors, as well as proceeds from the sale of leases of endowment lands. The Endowment benefits all university faculties, helping to support learning, teaching, research and strategic initiatives for the benefit of current and future generations.

## Main Endowment Pool

**\$1.9 billion assets under management**

The Main Endowment Pool is invested in financial assets to generate annual distributions for various programs in accordance with the Statement of Policies and Procedures approved by UBC's Board of Governors. The following table contains the actual and long-term policy asset mix as of March 31, 2021:

**TABLE 1**

Asset Class	Actual Mix	Long Term Policy
Fixed Income	18.6%	20.0%
Public Equities	45.8%	40.0%
Alternatives	35.1%	40.0%
Multi-Asset	0.5%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

During fiscal 2020–2021, UBC IMANT continued funding alternative investments in private equity and private debt from prior years' commitments, trying to bring the Main Endowment Pool closer to its long-term policy weights as of March 31, 2021. Private debt investments were funded from mortgage investments.

### PERFORMANCE ANALYSIS AND COMPARISON

The Main Endowment Pool, to be sustainable, must maintain its inflation-adjusted value to preserve intergenerational equity for beneficiaries. In other words, the pool's long-term return must equal or exceed its required rate of return — equal to the sum of its spend rate, administrative expense charge and inflation. The spend rate of the Main Endowment Pool in 2020–2021 was 4.0%. For the one-year period ended on March 31, 2021, the pool's actual return of 16.9% was well above the required return of 6.9%.

**TABLE 2**

	1 Year	4 Years	10 Years
Required Return	6.9%	6.5%	5.9%
Actual Returns*	16.9%	7.1%	8.3%
Investment Policy Benchmark	18.6%	8.3%	8.4%
Value Added	-1.7%	-1.2%	-0.1%

\*Returns are reported net of external investment management fees starting January 2010. Returns stated are annualized for periods greater than one year.

We also compare the Main Endowment Pool's actual return to a policy portfolio — comprising the weighted average return of various asset-class benchmarks — to gauge how effectively we have implemented the policy asset mix. For public investments, we use market indices. In evaluating alternatives for which investable indices are not available, we benchmark against other industry indices, combinations of relevant public indices, and the rate of inflation plus a premium.

As shown in Table 2, the Main Endowment Pool's one-year return of 16.9% was 1.7% behind its policy benchmark return of 18.6%. This underperformance was mainly attributable to global and emerging markets equity, which had a lower risk profile than the broad market and lagged the strong rebound of equity markets over the period. The pool's alternative asset investments also contributed modestly to underperformance, trailing benchmarks over the one-year period. Alternative assets are not publicly traded, and variability of returns against benchmarks over shorter time periods is expected, particularly during periods of market volatility. Over multi-year periods, the pool's alternative assets have performed in line with our expectations. The pool's 10-year return of 8.3% has exceeded the required return of 5.9%, contributing to the growth of the Endowment fund over the period.

**TABLE 3**  
**1-Year Performance**

Asset Class	Endowment Main Pool	Benchmark	Value Added
Fixed Income	4.2%	3.0%	1.2%
Universe Bonds	4.0%	1.6%	2.4%
Private Debt & Mortgages	6.5%	4.6%	1.9%
UBC Debenture	4.7%	4.7%	0.0%
Public Equities	38.5%	42.1%	-3.7%
Canadian Equities	48.8%	44.2%	4.6%
Global Equity	28.8%	36.0%	-7.2%
Emerging Markets Equities	34.5%	39.9%	-5.4%
Global Small Cap Equity	63.9%	60.2%	3.7%
Alternatives	4.9%	5.5%	-0.6%
Private Equity	-1.4%	4.3%	-5.8%
Real Estate	4.2%	4.7%	-0.5%
Infrastructure Equity	4.8%	5.2%	-0.3%
Absolute Return Strategies	13.4%	5.2%	8.1%

The currency-hedging policy for the Main Endowment Pool includes the hedging of non-equity foreign-investment currency exposures (i.e., foreign private debt, real estate, infrastructure and absolute-return investments) back to Canadian dollars. Managed passively by an external manager, our hedging activities employ forward contracts with investment-grade counterparties on major developed market currencies (including U.S. dollar, euro and pound sterling, among others).

## Sustainable Future Pool

**\$36.0 million assets under management**

The UBC Sustainable Future Pool (SFP) expands the goals of the Main Endowment Pool to include two non-financial considerations:

- exclusion or a meaningful reduction of investments in companies that derive a significant portion of their profits from fossil fuels, and
- a focus on material reduction in CO<sub>2</sub> emissions by portfolio companies.

The SFP was established during the fiscal year 2016–2017 as a proof of concept supporting the belief that additional portfolio objectives do not compromise investment returns.

### LONG-TERM POLICY ASSET MIX

Because the SFP is comparatively small, it is not feasible to invest the pool's assets in alternative financial assets such as real estate, infrastructure and private equity. Therefore, the pool's long-term policy asset mix is restricted to public equity and fixed income assets. As part of its active investment strategy, the SFP is underweight in fixed income, as the portfolio is positioned to reflect relative expectations of risk and reward between asset classes within the approved risk budget. The following table contains the actual and long-term policy asset mix as of March 31, 2021.

**TABLE 4**

Asset Class	Actual Mix	Long Term Policy
Fixed Income	25.2%	30.0%
Public Equities	74.8%	70.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### PERFORMANCE ANALYSIS AND COMPARISON

As with the Main Endowment Pool, the SFP must maintain its inflation-adjusted value to be sustainable and has to generate required returns to ensure intergenerational equity for its beneficiaries. The SFP's spend rate (effective April 2019) is set to 3.5% for UBC contributions and 3.75% for donor contributions.

**TABLE 5**

	1 Year	2 Years	3 Years
Required Return	5.1%	5.6%	5.9%
Actual Returns*	23.0%	12.6%	10.3%
Investment Policy Benchmark	24.1%	10.6%	8.9%
Value Added	-1.1%	2.0%	1.4%

\*Returns reported net of external investment management fees.

The SFP delivered a return of 23.0% in the past fiscal year — significantly higher than the 16.9% return of the Main Endowment Pool. The SFP's stronger return was attributable to its higher weighting to public equity markets, which generated higher returns compared to alternative assets during the period. The pool's one-year return trailed its investment policy benchmark by 1.1%; however, it has added value over longer periods.

In addition to meeting its non-financial objective of not investing in fossil-fuel companies, the SFP succeeded in reducing CO<sub>2</sub> emissions by 75% when compared against a passive equity index investment. The fixed income component of the portfolio held a 25% allocation to green bonds.

**TABLE 6****1-Year Performance**

Asset Class	Sustainable Future Pool	Benchmark	Value Added
Fixed Income	2.9%	-0.5%	3.4%
Public Equities	31.3%	36.0%	-4.7%

\*Asset class returns are reported gross of investment management fees.

## Endowments with Investment Restrictions

### \$192.5 million assets under management

The broad category Endowments with Investment Restrictions refers to the endowments specified for the university at the Vancouver Foundation, the UBC Foundation and the investment firm Jarislowsky Fraser Limited Investment Counsel. While UBC IMANT reviews their respective performance results on behalf of the university, we do not have discretion over these investments. At March 31, 2021, they totalled \$192.5 million.

**TABLE 7****MARKET VALUE (\$ MILLIONS)**

Endowments Held At	Mandate	March 31, 2021	March 31, 2020
UBC Foundation	Canadian Equity	135.1	135.1
Vancouver Foundation	Balanced	53.4	49.5
Jarislowsky Fraser	Balanced	4.0	3.5
<b>Total</b>		<b>\$192.5</b>	<b>\$188.1</b>

**UBC FOUNDATION****\$135.1 million assets under management**

Assets held at the UBC Foundation consist of a donation to the university of publicly traded common shares for Wall Financial Corporation, a Canadian real estate investment and development company. The assets were valued at \$135.1 million at March 31, 2021.

**VANCOUVER FOUNDATION****\$53.4 million assets under management**

At March 31, 2021, \$53.4 million of endowment assets at the Vancouver Foundation were invested in the foundation's Consolidated Trust Fund, a balanced fund. Of the total assets held at the Vancouver Foundation, UBC has discretion over \$27.3 million. The remaining \$26.1 million is held by the foundation in perpetuity for the benefit of the university, as designated by donors. The policy and actual asset mixes are provided in Table 8, and performance information in Table 9.

**TABLE 8**

Asset Class	Actual Mix	Long Term Policy Mix
Fixed Income	16.0%	20.0%
Public Equities	62.2%	55.0%
Real Estate	8.3%	8.0%
Absolute Return Strategies	13.4%	17.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**TABLE 9**

	1 Year	2 Years	3 Years	4 Years	10 Years
Actual Return	24.6%	9.1%	8.3%	7.3%	8.4%
Investment Policy Benchmark	22.4%	9.2%	8.3%	8.3%	7.9%
Value Added	2.2%	-0.1%	0.0%	-1.0%	0.5%

Returns are reported gross of investment management fees. Returns stated are annualized for periods greater than one year.

**JARISLOWSKY FRASER (MERILEES CHAIR)****\$4.0 million assets under management**

Assets held at Jarislowsky Fraser are invested in the JF Global Balanced Fund and support the Harold and Dorrie Merilees Chair for the Study of Democracy. The policy and actual asset mixes are provided in Table 10, and performance metrics in Table 11.

**TABLE 10****Jarislowsky Fraser**

Asset Class	Actual Mix	Long Term Policy Mix
Fixed Income	34.0%	43.5%
Public Equities	66.0%	56.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**TABLE 11**

	1 Year	2 Years	3 Years	4 Years	10 Years
Actual Return	21.8%	8.9%	8.1%	7.1%	8.8%
Investment Policy Benchmark	19.9%	8.1%	7.5%	6.7%	7.2%
Value Added	1.9%	0.8%	0.6%	0.4%	1.6%

Returns are reported gross of investment management fees. Returns stated are annualized for periods greater than one year.

## Staff Pension Plan

**\$2.1 billion assets under management**

Established on January 1, 1972, the Staff Pension Plan (SPP) is a target-benefit pension plan that provides retirement, termination and death benefits for eligible staff of UBC and related employers. The SPP is funded by fixed contributions from plan members and the university and serves over 15,000 current UBC employees, retirees and deferred members. The university has delegated the day-to-day administration of the plan to the SPP Board. Assets are the property of plan members and their beneficiaries.

SPP funds are invested to provide stable lifetime retirement pensions in accordance with the Statement of Policies and Procedures recommended by the SPP Board and approved by UBC's Board of Governors. The UBC Board of Governors approved an updated policy asset mix in 2019, and in fiscal 2020–2021 we continued to focus on supporting the SPP portfolio's transition to the updated mix, including increased funding of alternative assets.

The following table shows the SPP's actual and long-term policy asset mixes at March 31, 2021.

**TABLE 12**

Asset Class	Actual Mix	Long Term Policy*
Fixed Income	37.6%	35.0%
Public Equities	35.4%	30.0%
Alternatives	27.0%	35.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\*Long Term Policy effective January 1, 2019.

## PERFORMANCE ANALYSIS AND COMPARISON

**TABLE 13**

	1 Year	4 Years	10 Years
Actual Return	12.6%	6.6%	7.9%
Investment Policy Benchmark	12.9%	7.2%	7.6%
Value Added	-0.3%	-0.6%	0.3%

Returns are reported net of external investment management fees starting January 2010. Returns stated are annualized for periods greater than one year.

We compare the SPP return to its benchmark to gauge how effectively we have implemented the policy asset mix. For the fiscal year ending March 31, 2021, the SPP return of 12.6% trailed the policy benchmark return of 12.9% by 0.3%. This underperformance was mainly attributable to global and emerging market equity, along with private equity, partially offset by the outperformance of fixed income and real estate investments. While the SPP's total return from equity investments was strongly positive over the period, underperformance against the equity benchmark return reflects conservative positioning of the portfolio, which lagged the rebound experienced in broad equity markets. The plan's 10-year return exceeds the policy benchmark, further growing assets to support retirement benefits.

The SPP follows the same currency-hedging policy as the Main Endowment Pool: only non-equity foreign investment currency exposures (e.g., foreign private debt, real estate and infrastructure investments) are hedged back to Canadian dollars. Currency hedging is managed passively by an external manager, which uses currency forward contracts with investment-grade counterparties on major developed market currencies (e.g., U.S. dollar, euro and pound sterling, among others).

**TABLE 14**  
**1-Year Performance**

Asset Class	Staff Pension Plan	Benchmark	Value Added
Fixed Income	2.9%	1.1%	1.8%
Long Term Fixed Income	1.6%	-0.2%	1.8%
Infrastructure Debt	3.3%	2.5%	0.7%
Private Debt	2.1%	4.8%	-2.6%
Public Equities	35.2%	39.2%	-4.1%
Canadian Equities	48.8%	44.2%	4.6%
Global Equity	29.7%	36.0%	-6.4%
Emerging Markets Equities	35.1%	39.9%	-4.7%
Alternatives	3.6%	5.3%	-1.7%
Private Equity	-1.4%	4.3%	-5.8%
Real Estate	5.8%	4.7%	1.1%
Infrastructure Equity	3.0%	5.2%	-2.2%

## Supplemental Arrangement

### \$119 million assets under management

The Supplemental Arrangement is an extension of the UBC Faculty Pension Plan and serves about 1,100 UBC employees whose annual contributions exceed the limit allowed under the federal Income Tax Act for registered pension plans. It has a policy asset mix consisting of 60% equities and 40% fixed income. Supplemental Arrangement assets are invested passively in a balanced fund consisting of Canadian and global equities, bonds and real estate income trust (REIT) index funds. The policy asset mix and actual asset mix at March 31, 2021, are presented in Table 15, and performance information in Table 16.

**TABLE 15**

Asset Class	Actual Mix	Long Term Policy Mix
Fixed Income	39.9%	40.0%
Public Equities	55.0%	50.0%
Real Estate	5.1%	10.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**TABLE 16**

	1 Year	4 Years	10 Years
Actual Return	21.8%	7.0%	7.2%
Investment Policy Benchmark	22.4%	7.2%	7.6%
Value Added	-0.6%	-0.2%	-0.4%

Returns are reported net of investment management fees starting April 2015. Returns stated are annualized for periods greater than one year.

The Supplemental Arrangement returned 21.8% in 2020–2021. Over a four-year period, the fund has returned 7.0%. There is no value-add expected for this portfolio, as it is invested in an index fund structure that matches, to the greatest extent possible, the asset allocation of the UBC Faculty Pension Plan’s Balanced Fund. The slight underperformance of the portfolio is a reflection of the management and transaction costs to track indices.

## Working Capital Fund

**\$969.8 million assets under management**

The Working Capital Fund consists of monies from the reserves of the university’s capital pool. These include the proceeds from provincial operating grants; tuition fees; private, corporate and government research grants; operating income; and funds for capital projects. The portfolio, which invests with a focus on capital preservation and liquidity objectives, consists of a certificate of deposit with the Province of British Columbia Central Deposit Program and three short-term fixed income funds. Overall responsibility for the university’s cash management rests with UBC Treasury.

In 2020–2021, the Working Capital Fund returned 3.0%, outperforming the policy benchmark return by 0.6% (Table 18). Over a four-year period, the fund returned 2.4%, ahead of its benchmark return of 2.0%. Table 17 shows the policy asset mix and actual asset mix of the Working Capital Fund at March 31, 2021.

**TABLE 17**

Asset Class	Actual Mix	Long Term Policy Mix
Money Market	14.6%	10.0%
Short-Term Bonds	61.1%	55.0%
Mortgages	24.3%	35.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**TABLE 18**

	1 Year	4 Years	10 Years
Actual Return	3.0%	2.4%	2.6%
Investment Policy Benchmark	2.4%	2.0%	2.3%
Value Added	0.6%	0.4%	0.3%

Returns are reported gross of investment management fees. Returns stated are annualized for periods greater than one year. The current policy benchmark consists of 15% 30-day FTSE Canada T-Bills Index and 85% FTSE Canada Short-term Overall Bond Index.

## Management Fees

Investment management fees charged by UBC IMANT's external investment managers can vary widely depending on the type of investments in the portfolios, the mandate size and whether our agreement includes a performance-related incentive fee.

The table below summarizes total investment management fees as a percentage of assets for the Endowment funds and the Staff Pension Plan. The figures include both base and incentive fees, some of which are invoiced to UBC IMANT, while others are charged directly to the funds by the investment managers.

**TABLE 19**

	Endowment Fund	Staff Pension Plan
<b>Traditional Assets</b>		
Base Fees	0.24%	0.19%
Incentive Fees	0.11%	0.09%
<b>Subtotal</b>	<b>0.35%</b>	<b>0.28%</b>
<b>Alternative Assets</b>		
Base Fees	0.81%	0.59%
Incentive Fees	0.04%	0.02%
<b>Subtotal</b>	<b>0.85%</b>	<b>0.61%</b>
<b>Overall</b>	<b>0.56%</b>	<b>0.40%</b>

Infrastructure debt is classified as an alternative asset in the table above.

Compared to the previous fiscal year, fees for the two portfolios remain relatively stable. External management fees for the Working Capital Fund equate to 13 basis points. External management fees for the Supplemental Arrangement equate to 12 basis points.

In addition to the fees shown here, the university's portfolios also pay for a variety of other expenses, including custody fees, transaction fees, performance measurement fees and fund administration expenses. In the past fiscal year, UBC IMANT's operating expenses, which are charged on a cost-recovery basis, represented a cost of seven basis points on overall assets.

# FINANCIAL STATEMENTS

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# INDEPENDENT AUDITORS' REPORT

31 March 2021

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To the Directors,  
UBC Investment Management Trust Inc.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of UBC Investment Management Trust Inc. (the "Company"), which comprise the balance sheet as at 31 March 2021, and the statements of retained earnings (deficit), earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

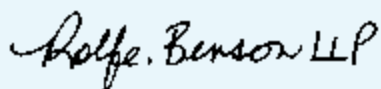
Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
4 June 2021

# BALANCE SHEET

31 March 2021

	2021	2020
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 803,126	\$ 514,371
Accounts receivable	35,103	12,566
Prepaid expenses	79,759	28,775
	<b>917,988</b>	<b>555,712</b>
<b>Equipment and leasehold improvements (Note 3)</b>	<b>29,364</b>	<b>30,538</b>
<b>Security deposit</b>	<b>5,350</b>	<b>5,350</b>
	<b>\$ 952,702</b>	<b>\$ 591,600</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 946,376	\$ 594,489
<b>Deferred lease inducement (Note 5)</b>	<b>2,265</b>	<b>5,663</b>
	<b>948,641</b>	<b>600,152</b>
<b>Commitments (Note 6)</b>		
<b>SHAREHOLDER'S EQUITY (DEFICIT)</b>		
Share capital (Note 8)	100	100
Retained earnings (deficit)	3,961	(8,652)
	<b>4,061</b>	<b>(8,552)</b>
	<b>\$ 952,702</b>	<b>\$ 591,600</b>

The accompanying notes are an integral part of these financial statements.

## APPROVED BY THE BOARD:

 Director
  Director

# STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the year ended 31 March 2021

	2021		2020	
<b>Balance - beginning of year</b>	\$	(8,652)	\$	(67,498)
Net earnings for the year		<b>12,613</b>		58,846
<b>Balance - end of year</b>		<b>3,961</b>	\$	(8,652)

The accompanying notes are an integral part of these financial statements.

# STATEMENT OF EARNINGS

For the year ended 31 March 2021

	2021	2020
<b>Revenue</b>		
Portfolio management fees	\$ 3,001,818	\$ 2,938,301
Other revenue	1,254	6,973
	<b>3,003,072</b>	<b>2,945,274</b>
<b>Expenses</b>		
Salaries and related benefits	2,154,300	2,187,442
Computer support and licenses	181,403	118,624
Directors fees and expenses	165,869	172,745
Legal	145,385	29,779
Office lease	116,251	121,930
Consulting and research	88,724	56,872
Office	67,115	31,928
Audit and accounting	23,189	22,238
Dues and memberships	17,403	11,918
Telephone	10,053	11,609
Insurance	6,000	6,000
Bank charges and interest	2,432	1,355
Travel	1,725	33,915
Advertising and promotion	1,535	1,788
Executive search	-	70,000
Amortization of equipment and leasehold improvements	9,075	8,285
	<b>2,990,459</b>	<b>2,886,428</b>
<b>Net earnings for the year</b>	<b>\$ 12,613</b>	<b>\$ 58,846</b>

The accompanying notes are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net earnings for the year	\$ 12,613	\$ 58,846
Items not involving cash		
Amortization of equipment and leasehold improvements	9,075	8,285
Amortization of deferred lease inducement	(3,398)	(3,397)
	18,290	63,734
Changes in non-cash working capital balances		
Accounts receivable	(22,537)	(5,876)
Prepaid expenses	(50,984)	1,011
Accounts payable and accrued liabilities	351,887	(102,888)
	296,656	(44,019)
<b>Investing activities</b>		
Purchase of equipment and leasehold improvements	(7,901)	(10,673)
Security deposit	-	(409)
	(7,901)	(11,082)
<b>Net increase (decrease) in cash</b>	<b>288,755</b>	<b>(55,101)</b>
<b>Cash - beginning of year</b>	<b>514,371</b>	<b>569,472</b>
<b>Cash - end of year</b>	<b>\$ 803,126</b>	<b>\$ 514,371</b>

The accompanying notes are an integral part of these financial statements.

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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## 1. INCORPORATION AND OPERATIONS

The Company was incorporated on 28 March 2003 under the provisions of the Business Corporations Act of British Columbia and commenced operations on that date.

The Company is a wholly owned subsidiary of The University of British Columbia (UBC). The Company manages four of UBC's investment funds and the Company is economically dependent on UBC as its only revenue source is the earning of portfolio management fees for its services.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The significant accounting policies are detailed as follows:

(a) Financial instruments

(i) Measurement of financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Company subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

(iii) Transaction costs

The Company recognizes its transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(b) Revenue recognition

Fees for services are recognized as revenue when the services are rendered and billed.

(c) Equipment

Equipment is recorded at cost and is being amortized over its estimated useful life on the following basis:

Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance
Computer software	100% Declining balance

(d) Leasehold improvements

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over six years.

(e) Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

(f) Income taxes

The Company follows the future income taxes payable method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated tax consequences attributable to temporary differences between the amounts reported in the financial statements and their respective tax basis, using enacted income tax rates. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in operations in the period that the rate becomes substantially enacted.

(g) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and revenues and expenses and disclosure of contingent assets and liabilities at the balance sheet date. Accounts subject to estimates include amortization rates of equipment and recognition of accrued liabilities. Management believes that the estimates utilized in preparing the financial statements are prudent and reasonable, however, actual results could differ from those estimates.

### 3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2021 Net</b>	<b>2020 Net</b>
Furniture and fixtures	\$104,067	\$96,786	\$7,281	\$9,101
Computer equipment	95,404	78,569	16,835	14,456
Leasehold improvements	84,004	78,756	5,248	6,981
	<b>\$283,475</b>	<b>\$254,111</b>	<b>\$29,364</b>	<b>\$30,538</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2021		2020
Accounts payable and accrued liabilities	\$	702,199	\$	568,744
GST payable		18,427		25,745
GST payable		225,750		–
		<b>\$946,376</b>		<b>\$594,489</b>

## 5. DEFERRED LEASE INDUCEMENT

		2021		2020
Office lease	\$	2,265	\$	5,663

The Company received a lease inducement of \$16,988 as part of its office lease extension agreement in a prior year. This amount has been recorded as a deferred lease inducement and is being amortized as a reduction of rent expense on a straight-line basis over the term of the agreement. The deferred portion of the lease inducement will be amortized into income as follows:

2022	\$	2,265
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## 6. COMMITMENTS

The Company has operating leases for the rental of equipment and office premises which expire June 2021 and November 2021 respectively. The minimum annual lease payments are as follows:

2022	\$	45,662
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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. SHAREHOLDER TRANSACTIONS

(a) During the year the Company entered into the following transactions with UBC:

	2021		2020	
Portfolio management fees	\$	3,001,818	\$	2,938,301
Operating expenses	\$	6,000	\$	8,756

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

(b) Included in accounts receivable are amounts due from:

	2021		2020	
UBC	\$	28,703	\$	12,466

(c) Included in accounts payable are amounts due to:

	2021		2020	
UBC	\$	227,264	\$	2,082

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 8. SHARE CAPITAL

Authorized

100,000 common shares without par value

Issued

		2021		2020
100 common shares	\$	100	\$	100

## 9. INCOME TAXES

		2021		2020
Current income taxes	\$	–	\$	48,002
Less: Application of prior years' tax losses		–		(48,002)
Net provision for income taxes	\$	–	\$	–

## 10. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date, 31 March 2021.

### (a) Liquidity risk

Liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities. The Company manages liquidity risk by maintaining adequate cash. There has been no change to this risk exposure from the prior year.

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its cash and accounts receivable. Cash is in place with a major financial institution. The Company provides credit to its one customer, UBC, in the normal course of the operations. There has been no change to this risk exposure from the prior year.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to currency risk.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company incurs some expenses in U.S. dollars and is therefore exposed to foreign exchange fluctuations. The Company does not enter into any hedging instruments to manage its exposure to foreign currency risks.

## 11. **IMPACT OF COVID-19**

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a public health emergency. This pandemic has caused an increase in economic uncertainty that has led to volatility in international markets and disrupted business operations around the world. The Company's primary sources of revenue are derived from management fees received from UBC. During the year, the Company continued to receive revenue from UBC. At the date of the Independent Auditors' Report, the COVID-19 pandemic is still ongoing but the Company's management does not anticipate that it will have a significant impact on future revenues, expenses or operations.

# UBC IMANT BOARD OF DIRECTORS

2020-2021

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**Lisa Pankratz, FCPA, FCA, CFA**

Board Chair and  
Corporate Director

**Orla Cousineau, LLB**

Executive Director, Pensions  
UBC Staff and Faculty Pension Plans

**Alison Gould**

Chief Investment Officer  
Saskatchewan Teachers' Federation

**Emilian Groch**

Corporate Director

**Hyewon Kong, CFA**

Corporate Director  
Vice-President and Head of Responsible Investing,  
Investment Management Corporation of Ontario  
(IMCO)

**Azim Lalani, CPA, CA**

Corporate Director  
Member of UBC Board of Governors  
Chair of UBC Board of Governors Finance Committee

**Gordon MacDougall, CFA**

Corporate Director

**Rakesh Saraf, CFA**

Corporate Director

**Peter Smailes, CPA, CMA**

Vice President  
UBC Finance and Operations

# UBC IMANT PROFESSIONAL TEAM

As of March 31, 2021

**THE UBC IMANT** team works under the leadership of the President and Chief Executive Officer. While team members have individual areas of specialization, everyone takes collective ownership of the portfolios. This team approach, grounded in a culture of collaboration, inclusiveness and mutual respect, helps to foster best-in-class investment thinking and practices across every fund we manage on behalf of UBC.

**Dawn Jia, CFA**

President and Chief Executive Officer

**Maciek Kon, MBA Finance**

Director, Quantitative Analysis and Strategic Research

**Yasir Mallick, MFin, CPA, CA, CFA, CAIA**

Senior Portfolio Manager

**Sharon Siu, CFA, CAIA**

Associate Director, Analytics and Research

**Graham Sheppard, CFA**

Senior Investment Analyst

**Josh Kruse, CFA, CAIA**

Senior Investment Analyst

**Jenny Lin, CPA, CMA**

Manager, Operations

**Rebecca Friesen**

Office Coordinator and Administrative Assistant

# ADVISORS AND SERVICE PROVIDERS

**Auditor**

Rolfe, Benson LLP Chartered Professional Accountants

**Custodians/Administrators**

Northern Trust, Sun Life Financial

**Legal Counsel**

Norton Rose Fulbright Canada LLP  
Lawson Lundell LLP

**Performance Measurement Consultant**

Northern Trust

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