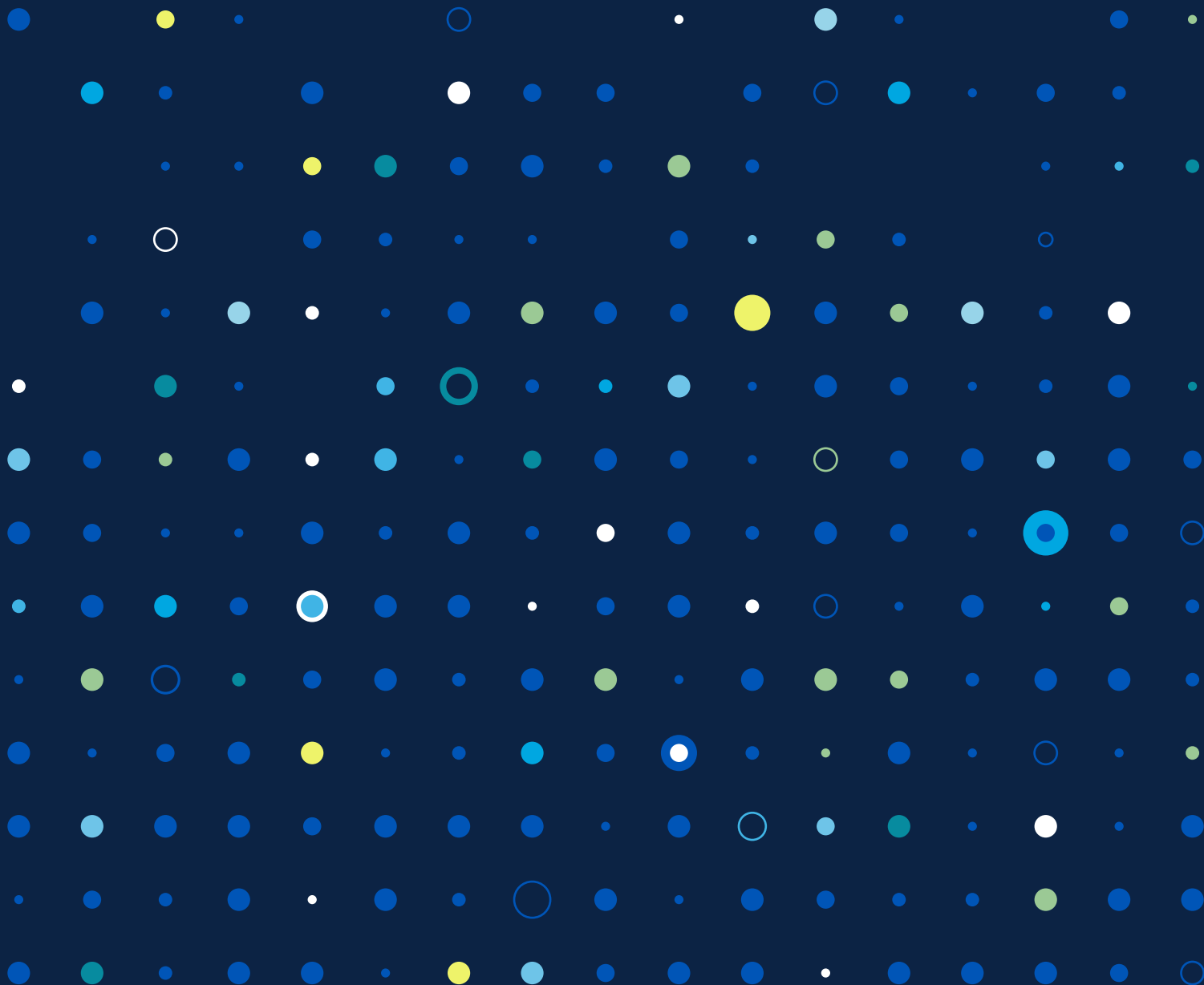


# Finding a Better Way

How we're constantly looking deeper,  
testing assumptions and finding innovative  
solutions as we turn investment strategy into  
operating excellence





**UBC*i*M**  
INVESTMENT MANAGEMENT

Since our founding in 2003, UBC Investment Management has combined investment expertise with disciplined management to grow and protect the assets entrusted to us by The University of British Columbia and its stakeholders. In 2022–2023, we once again delivered strong performance on behalf of the funds we manage, despite an environment of economic uncertainty and often significant market fluctuations. At the same time, we continued to implement our ambitious three-year transformation plan, focusing in this second year on deepening and strengthening our management of risk.

As we put strategy into action, guided by our formalized investment framework, we're also developing the capabilities of UBC Investment Management to achieve operating excellence. We've adopted new systems and processes to advance those efforts. But success will ultimately be driven by the collective energy, commitment and creative thinking of our team. To meet the transformative challenge we've set for ourselves, we must be constantly asking tougher questions, setting higher expectations and looking past the obvious to find a better way.

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Board of Directors and  
Professional Team

# The Power of Transformation



On behalf of the Board of Directors, I am pleased to share my message as Chair with the many stakeholders of UBC Investment Management.

This annual report marks our 20th anniversary as an investment company established to manage the endowment and pension assets of The University of British Columbia and the UBC Staff Pension Plan. Much has changed over the past two decades, as our organization has evolved to meet the challenges of a dynamic and often volatile investment environment. In our early years, we weathered the global economic crisis and recession of 2007–2009. More recently, we have navigated the disruptive impacts of the pandemic and subsequent waves of economic uncertainty. Through all this change, the guiding purpose of UBC Investment Management has remained the same: to maximize returns from the assets entrusted to us, prudently managing risk while advancing the long-term goals of the university and its pension holders.

In 2021, our Board endorsed a three-year transformation plan for UBC Investment Management. Building on the strong foundation already in place, the plan's objectives were ambitious: to improve investment performance, to

strengthen risk management, to enhance operational processes and procedures, and to build a mature investment team focused on achieving excellence in manager selection and portfolio management. As we enter the final year of this transformative strategy, the positive impacts are evident across all areas of the organization — underlined by the sustained strong performance, amidst significant market volatility, of the Main Endowment Pool, the UBC Staff Pension Plan, the Working Capital Fund and other portfolios under the investment team's management.

## Committed to Investing Responsibly

A cornerstone of this transformation has been our continued commitment to the principles of responsible investing. At this point, the systematic consideration of environmental, social and governance (ESG) factors is embedded into all decision-making at UBC Investment Management, from the Board's strategic oversight to the investment team's day-to-day execution of that strategy. Our second annual Responsible Investing Report, released earlier this year, provides a comprehensive review of these activities, reinforcing our commitment to rigorous and transparent disclosure.

During the past fiscal year alone, we invested more than \$200 million in climate-oriented funds managed by some of the world's leading investment managers.

At the end of the 2022–2023 fiscal year (FY22–23), the Endowment fund's carbon footprint was 55% lower, and its carbon intensity 53% lower, than the baseline levels set in 2019. The UBC Staff Pension Plan's carbon footprint decreased by 39% and carbon intensity decreased by 37% over the same period.

In making the evaluation of climate risks and other potential ESG impacts integral to sound investment practice, we have established UBC Investment Management as one of the leaders among university asset managers and institutional investors generally. Equally important, we are helping to advance UBC's longstanding commitment to sustainability, both as an institution serving a highly engaged stakeholder community and, more broadly, as a respected global centre of teaching, learning and research.

### Strong and Evolving Governance

The ongoing transformation of UBC Investment Management is anchored by the bedrock of strong governance. The new investment framework, introduced in year one of the transformation, included important clarification of our governance structure, defining the tiers of investment decision-making and accountability among the UBC Board of Governors, the UBC Investment Management Board of Directors and the investment team led by the President and Chief Executive Officer. This clear delineation ensures that responsibilities are properly allocated and that all investment activities are fully visible and understandable to our stakeholders.

Looking back to the creation of UBC Investment Management in 2003, a key value that this organization brings to the university is the collective investment knowledge and business experience of our professional Board of Directors. I want to commend my fellow Board members for the dedication and focus they bring to their roles, combining wide-ranging investment expertise with a strong collaborative spirit as we fulfill the mission of UBC Investment Management and advance the vision of a leading university. It's a privilege to chair such a thoughtful and committed team of strategic thinkers and advisors.

Coinciding with the release of this annual report, the Board welcomes a new university-affiliated director: Frank Laezza, who joined the UBC executive team in March 2023 as Vice-President, Finance and Operations. Appointed to our Board by the university, Frank combines a wealth of international experience with a long record of innovative leadership in higher education. We look forward to benefiting from his fresh perspectives and creative thinking.

At the same time, I join all Board members in expressing our gratitude to Alison Gould, Chief Investment Officer at Saskatchewan Teachers' Federation, who has completed her extended term as a director. Alison has been a valued contributor to all dimensions of the Board's responsibilities, including as chair of the Governance & Human Resources Committee and the Risk & Audit Committee.


### Transforming the Future

In closing, I want to reiterate the Board's deep appreciation for the close-knit, hardworking team led so capably by our purpose-driven President and CEO, Dawn Jia. Your collective investment expertise, technical skills, innovative thinking and sheer tenacity have helped to drive the organization forward through another exciting and sometimes challenging year. As you now tackle the remaining goals mapped out for our transformation plan, we know your talent and dedication will continue to make UBC Investment Management an admired leader in university asset management.

The power of transformation, of course, extends beyond a specific fiscal year, or even an ambitious three-year plan. The progress achieved to date — in investment strategy, risk management, portfolio construction and operational excellence — provides both inspiration and momentum for

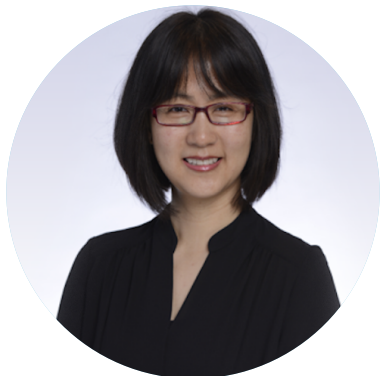
further transformation to come. And I know I speak for the Board and many members of the UBC community in saying we look forward to seeing what comes next.

My role as Chair of UBC Investment Management will come to an end during FY22-23. I want to take this opportunity to thank my fellow directors for their guidance, support and hard work during my tenure. Throughout my term on the Board, I have enjoyed being part of a dynamic, professional group that has worked well together to help transform UBC Investment Management into the strong organization it has become.

A handwritten signature in black ink, reading "Gordon MacDougall". The signature is fluid and cursive, with a large loop at the top of the "G" and a long tail on the "l".

**Gordon MacDougall**  
Chair, UBC Investment Management Board of Directors

# Finding a Better Way



During the past year, the global economy experienced continued uncertainty, which sparked further volatility in investment markets. Inflation has proven to be more difficult to control than many economists anticipated, and the higher interest rates imposed by central banks worldwide have increased the likelihood that we'll experience difficulties in some market segments.

In this challenging context, UBC Investment Management once again delivered strong performance on behalf of the funds we manage, The University of British Columbia endowment and the UBC Staff Pension Plan. The foundational work we undertook in the previous fiscal years to strengthen our investment program and governance framework meant our portfolios were well positioned to weather the market fluctuations of FY22–23. Returns from UBC's Main Endowment Pool were 4.7% year over year, outperforming the Reference Portfolio by 5.0%. The UBC Staff Pension Plan realized returns of 0.9%, outperforming the policy benchmark by 6.4%.

These positive results can be partly attributed to our portfolios' allocation to private assets: when public markets are in decline, private assets tend to outperform.

But the level of outperformance we achieved in the past year significantly surpassed the average difference between public and private market returns. This reflects the effective pre-positioning of our portfolios by the UBC Investment Management team — particularly in shifting toward more value-add investments, for which a higher proportion of returns rely on strong execution of business plans and so are less sensitive to interest rate increases.

Going forward, we expect to navigate continued economic uncertainty and further market fluctuations. In the medium term, the U.S. government's economic decoupling from China, along with the de-risking strategies embraced by other Western countries, will increase inflationary pressures as developed economies transition supply chains and absorb higher labour costs. Meanwhile, the intensifying impacts of climate change are creating both macroeconomic risks and direct threats to corporate bottom lines — against a broader backdrop of extreme weather events, natural disasters, displaced populations and heightened geopolitical tensions.

This is the context in which we sharpened our focus throughout FY22–23 — the second year of our three-year transformation plan — on advancing operational excellence anchored by strong, systematic risk management.

## A More Holistic Approach to Risk

For UBC Investment Management, effective risk management goes far beyond identifying and avoiding potentially negative consequences in our investment portfolios. While disciplined management of investment risk is a core strength of our business, just as important is how we assess and manage organizational or enterprise risks. In FY22–23, therefore, we began developing, with guidance from our Board of Directors, a new approach that

integrates investment and enterprise risk management within a single, cohesive framework. This was a major focus for our team and a key accomplishment of the past year.

The heart of our investment risk management approach is an in-depth evaluation of possible exposures from specific investments, weighed against the potential for adding value to our portfolios. Our decision-making must be grounded in detailed analysis and readily adaptable to fast-changing markets. This means having a technology platform that delivers analytical insights we can immediately put into action through our investment decision-making. For much of the past year, therefore, our team has focused on exploring, selecting and implementing new systems to better support our risk and portfolio management.

Our search for the right systems began not with preferred features and functionality, but with our recently established investment framework, which clarifies the tiers of governance and accountability among our key stakeholders. We wanted to assess the risks of market volatility not only in quantitative terms — which in our industry is often measured as the standard deviation in returns — but also from the perspective of the asset owners, our internal partners. UBC's leadership may choose to look at risk in the Endowment through a budgetary lens, gauging its potential impact on the funds that will be available to support students, faculty and research in any given year. The UBC Staff Pension Plan, for its part, naturally links portfolio returns to the financial needs and expectations of over 17,000 university retirees and the current employees who will follow them. And, of course, our own team evaluates market risk, as well as liquidity, concentration, credit, climate and other investment risks.

Weaving together these various dimensions of analysis requires us to take a holistic approach in assessing risk and adjusting our investment decisions accordingly. We presented this challenge to several leading technology providers, and after extensive due diligence, testing and negotiations, settled on two complementary solutions: an advanced risk management system and a portfolio management system with enhanced performance attribution capabilities, which together guide how we apply risk insights in managing our portfolios. We started implementing the new systems in January 2023, and while their full impact will only be measurable after a few years, preliminary results have been very positive. We are now building the necessary analytical tools — and, from a data perspective, the single source of truth — to transform the strategic goal of operational excellence into an everyday reality.

Alongside the development of our investment risk management approach, we spent considerable time advancing our enterprise risk management practices, working closely with UBC's Office of Enterprise Risk and Assurance. Our new identification and assessment process is substantially similar to the university's, enabling us to coordinate our adoption of best practices. The primary output of this workstream, beyond reporting and process, has been the strong alignment between the UBC Investment Management team and our Board regarding the risks we face in implementing our corporate strategy. I've been very pleased to see these insights driving discussions around strategic objectives and resourcing as we look to the future.

### Turning Aspirations into Realities

Powerful technology is vital — but even more important is the team of skilled professionals it supports. This is another area where UBC Investment Management made significant progress in FY22–23. One of the priorities of our transformation strategy is to build out expertise in critical areas, including manager selection and portfolio implementation, as we strive to deliver operating excellence. Fundamental to that work is our commitment to instill a culture focused on continuous improvement, accountability, the power of diversity and the value of working together as one team.

To realize the ambitious goals we've set, we're constantly seeking ways to improve what we're doing today while exploring even better solutions for the future. Everyone on our multifaceted team is encouraged to take ownership of problems and join in the search for innovative solutions within the clear risk parameters established in our portfolios. In everything we do, the common thread is a dedication to constantly challenging the status quo — to asking smarter questions and, as our annual report theme suggests, finding a better way.

I want to thank everyone on the UBC Investment Management team, who once again worked so hard to turn our aspirations into realities over the past year. Your tremendous effort shows that transformation may be shaped by goals, but it's driven by culture.

### Our Transformation Continues

On behalf of the team, I'd also like to express our thanks to the Board of Governors and executives of The University of British Columbia for their continued strong support as we manage the assets entrusted to us. We're grateful as well to the UBC Staff Pension Plan Board, whose members

have worked closely with our team on initiatives that address the unique interests of their stakeholders.

Lastly, our heartfelt thanks to the Board of Directors of UBC Investment Management, whose astute guidance and oversight shape our pursuit of investment excellence while also elevating our standards of operating excellence. I'm particularly grateful to our Chair, Gordon MacDougall, for his judicious counsel, business acumen and deep first-hand knowledge of the Canadian investment industry. Gordon's wisdom and experience are invaluable in these uncertain times.

As we enter the third and final year of our transformation plan, we're focused on maturing and institutionalizing our interrelated investment processes and procedures. As the various elements of our strategy — our investment framework, governance structure, risk management, portfolio construction and business operations — become fully aligned, we're better positioned than ever to navigate volatility and deliver the returns our internal partners need to achieve their objectives. Whatever challenges lie ahead, they know they can count on us to always find a better way.



**Dawn Jia, CFA**  
President and Chief Executive Officer

# Investment Highlights

AS OF MARCH 31, 2023

## UBC ENDOWMENT – MAIN ENDOWMENT POOL

5-year return

**6.7%**

10-year return

**8.2%**

10-year total distributions

**\$714 million**

## UBC STAFF PENSION PLAN

5-year return

**5.3%**

10-year return

**6.9%**

10-year total pensions paid

**\$377 million**

## UBC INVESTMENT MANAGEMENT ASSETS UNDER MANAGEMENT

**\$5.8 billion**

Increase in assets under management (one year)

**\$83 million**

Increase in investment returns (one year)

**\$130 million**



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# UBC Investment Management Overview

Who we are, what we believe in  
and how we're governed.

# Celebrating Our First 20 Years

In February 2023, our team gathered in Vancouver — despite an unusually heavy snowstorm — to welcome the Board of Directors, our internal partners and other guests as we marked the 20th anniversary of the formation of UBC Investment Management. The world has seen many dramatic changes over the past two decades. They’ve been reflected in the evolution of this company, as we’ve steadily enhanced the knowledge, skills and tools we use to manage the funds entrusted to us.

Today, our team of experienced professionals uses technologies we could only imagine 20 years ago. We invest with stronger analytical insights, and we bring a deeper sense of responsibility to consider the social and environmental impacts of our decisions. But the heart of our purpose remains unchanged: to support the mission of The University of British Columbia as a centre of learning and research, and to help secure the retirements of the many people who’ve helped make UBC a global leader.

We look forward to our next 20 years.

# About Our Company

**UBC Investment Management provides 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.

As we invest on behalf of UBC and its Staff Pension Plan, we take a manager-of-managers approach, constructing portfolios by engaging top-tier professional investment managers from around the world, with specific expertise and proven performance, to conduct security selection on our behalf. Our team works to select investment managers that we expect will generate superior net returns over time and that integrate robust responsible investing practices into the investment process. Our ultimate goal is to maximize net returns in accordance with the aims, liability requirements and risk parameters of each fund we manage.

In working toward that goal, we apply a total portfolio approach to construct investment programs, assessing returns and investment risks at a granular level to gain insights through strong analytics. We make disciplined investments, measuring performance against objective targets. We communicate transparently with stakeholders to ensure they understand our process and, in working to maintain stakeholders' trust, we navigate immediate market conditions as we remain focused on the long term.

## Main Endowment Pool

UBC's Endowment funds reflect more than a century of philanthropic giving by donors as well as proceeds from the leases of UBC endowment lands that support the university's activities in perpetuity. We invest these generous contributions to generate stable revenue for the university, which supports the highest standards of research, teaching and student aid.

The Main Endowment Pool is invested in accordance with the Statement of Investment Policy, approved by UBC's Board of Governors on the recommendation of the UBC Investment Management Board of Directors. The fund is a global, multi-asset class portfolio, actively managed to promote capital appreciation and maintain intergenerational equity for beneficiaries in perpetuity.

## UBC Staff Pension Plan

The UBC Staff Pension Plan (SPP) is a target-benefit pension plan established in 1972 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 UBC, and serves over 17,000 employees, retirees and deferred members. The university has delegated the day-to-day administration of the plan to the SPP Board.

The SPP fund is invested in accordance with the Statement of Policies and Procedures, approved by UBC's Board of Governors on recommendation by the SPP Board. The fund is a global, multi-asset class portfolio with a focus on capital appreciation while controlling downside risk to returns.

## UBC Working Capital Fund

The UBC Working Capital Fund consists of monies from the reserves of the university's capital pool. These include the proceeds from provincial operating grants; tuition; private, corporate and government research grants; operating income; and funds for capital projects. The fund is invested with a focus on capital preservation and liquidity objectives and is structured as a fixed income portfolio with investments in liquidity assets and shorter maturity public and private fixed income securities.

# Our Core Beliefs

As we work on behalf of our stakeholders, we ground our decision-making in a clear set of principles:

## Purpose

Pursuing excellence in investment management on behalf of the funds we manage

## Vision

To be a leading investment office

## Mission

To be a trusted and innovative partner by:

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

## Values

### Focused

- We are driven to produce superior risk-adjusted returns.
- 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 value clear communications and pursue meaningful interactions with our internal partners.

### Trusted

- We seek to forge partnerships built on trust and respect with our internal partners, our investment managers and service providers.
- We collaborate with investors and organizations that share our investment objectives and values.

### Continuously improving

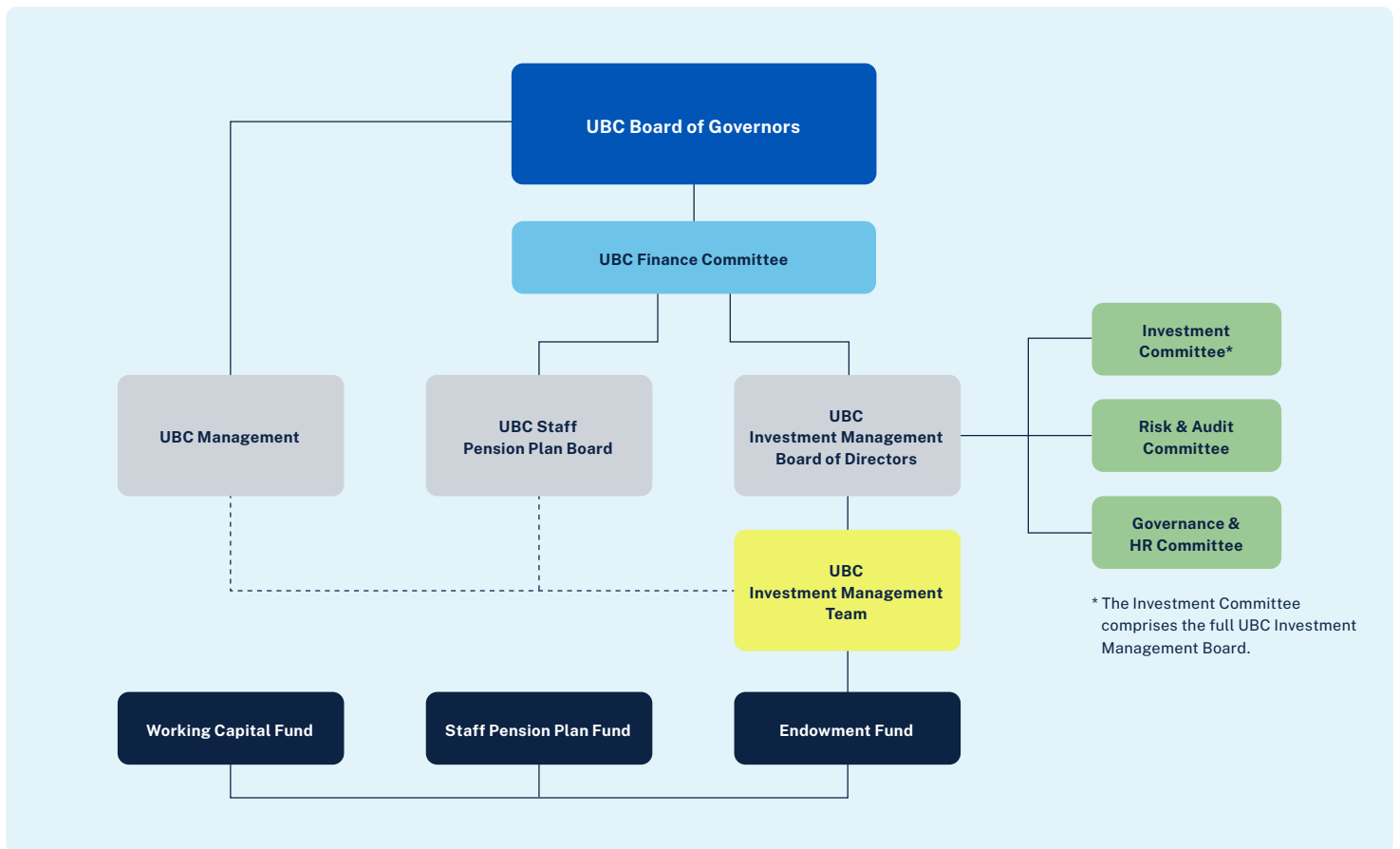
- We seek to continuously adopt more agile, efficient structures and processes to enhance our competitive advantage.
- We steadily acquire additional knowledge, techniques and insights to refine our investment approach in changing market conditions and landscape.

### One Team

- The asset we value above all others is our people.
- We foster diversity, equity and inclusion, ensuring everyone feels welcome and has the same opportunity 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. UBC’s Board of Governors appoints the UBC Investment Management 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 Investment Management is granted specific responsibilities and powers within a clearly defined governance and organizational structure.



# Board and Staff Responsibilities

UBC Investment Management's Board is composed of nine directors appointed by UBC's Board of Governors. Three are UBC-related directors — senior university executives and representatives of the Board of Governors and the Staff Pension Plan (SPP) Board. The other six independent directors are members of the business and investment 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 Investment Management. The Board has three standing committees: Investment, Risk & Audit, and Governance & 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. The Investment Committee's responsibilities include formulating investment beliefs, approving investment programs and investment risk limits, recommending investment policies to the UBC Board of Directors for all funds (except the SPP), and recommending the Reference Portfolio benchmarks and policy-level constraints.

The UBC Investment Management team works under the direction of the President and CEO with oversight by the Board. The team reports regularly to the UBC Investment Management Board, the SPP Board and the UBC Board of Governors.

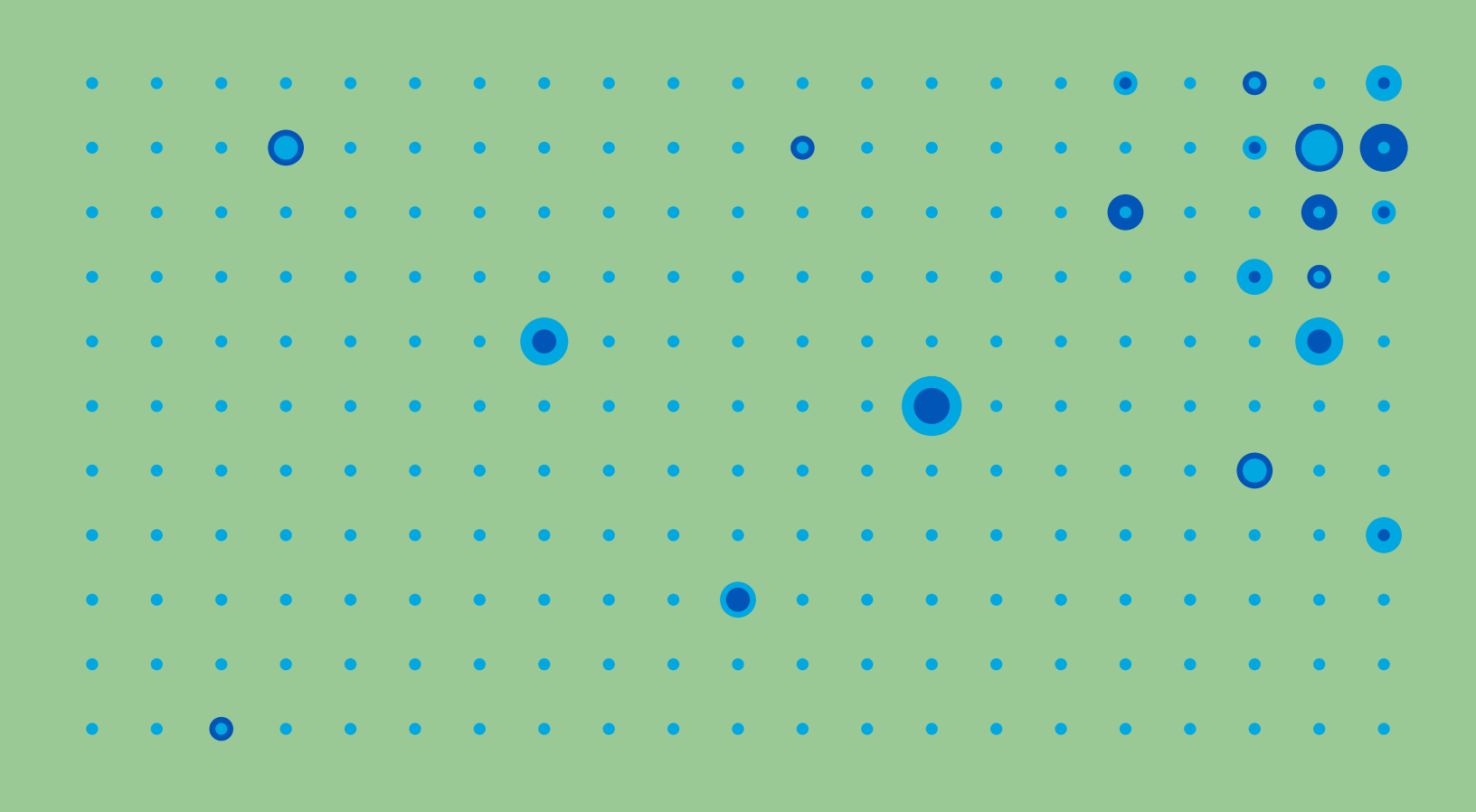
UBC Investment Management staff takes a highly collaborative approach to managing the assets of the university. The team leverages its collective knowledge and experience to execute our strategy and continuously works to

improve corporate systems and processes — all in pursuit of sustainable long-term growth for the funds we manage.

We work with our internal partners across the university to establish return requirements and risk preferences that form the foundation for investment policy recommendations for each portfolio — with the exception of the SPP. Staff presents these recommendations to the UBC Investment Management Board for review. The Board then recommends investment policies to the UBC Board of Governors for approval.

The investment policy for the UBC Staff Pension Plan is prepared by the SPP Board — in collaboration with UBC Investment Management and the plan's own investment and pension consultants — and that policy is then recommended to the UBC Board of Governors for approval.

The UBC Investment Management team is responsible for implementing the Strategic Portfolio asset mix for each fund once the investment policy has been approved, including designing the investment strategy for each asset class program. Rather than making direct investments, staff works with top-tier external investment managers to implement the asset mix according to our portfolio construction. (For more details on manager selection, see page 28.)



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# Our Commitment to Responsible Investing

Integrating environmental, social  
and governance (ESG) considerations  
into our investment process.

In FY22–23, we continued to advance UBC Investment Management’s responsible investing strategy, embedding environmental, social and governance (ESG) considerations as fundamental components of our investment approach for the funds we manage.

Considering ESG factors in all investment decisions significantly strengthens our risk assessment process. It’s also a critical dimension of our fiduciary responsibility to The University of British Columbia, which has become a recognized leader in sustainability planning and implementation across all areas of its operations.

Our approach to responsible investing is aligned with the United Nations–supported Principles for Responsible Investment (PRI), a set of shared commitments adopted by institutional investors and asset owners around the world. And because UBC Investment Management is a manager of managers, implementing our responsible investing strategy through external managers, we focus our efforts in three key areas:

### **Manager Selection and Evaluation**

We expect all our investment managers to have rigorous ESG assessment processes in place and to apply that lens when underwriting investments that contribute to our portfolios. We evaluate managers annually as part of our ongoing collaboration on ESG integration, risk assessment and the identification of best practices.

### **Stewardship**

We believe those with equity ownership of businesses should exert a positive influence by enhancing corporate practices — including strengthening governance and transparency, and promoting sustainable business practices — that create long-term value. We expect managers of the public equity securities in our portfolios to use their proxy votes to promote responsible investing best practices, including transparency on ESG policies, procedures and related activities.

### **Engagement**

When our portfolios have significant exposure to a company, industry or economy faced with a major responsible investing challenge, we encourage our managers to engage directly with the companies or organizations involved. On broader ESG-related issues, we coordinate our efforts with issuers, regulators, oversight bodies and industry groups to ensure all parties are aligned on guiding values and business practices.

# The Pillars of Our Responsible Investing Strategy



# Strategy in Action

## Fiscal Year 2022–2023 Responsible Investing Highlights

Our responsible investing strategy is aligned with, and helps to drive, the overall business strategy of UBC Investment Management as we remain focused on three key success factors: people, process and performance. Over the past year, we've put new processes in place that will bring added rigour and depth to our responsible investing activities. At the same time, we've used more robust data analytics to measure our own performance and that of the managers who invest responsibly on our behalf.



Invested more than \$200 million in funds that exhibit advanced integration of ESG factors into the investment process and seek to contribute to the transition toward a low-carbon economy.



Worked to expand our carbon measurement coverage beyond public equities, evaluating industry-leading methodologies and tools for incorporating debt investments, as well as private market assets.



Joined more than 260 general and limited partners in the ESG Data Convergence Initiative. This global collaborative is creating a critical mass of performance-based ESG data from private companies by establishing a standardized set of metrics for private markets. Initiative members have over \$25 trillion USD in assets under management, and the benchmark includes data from more than 2,000 private companies worldwide.



Completed 30 manager assessments using the rating framework for ESG integration developed in-house by UBC Investment Management.

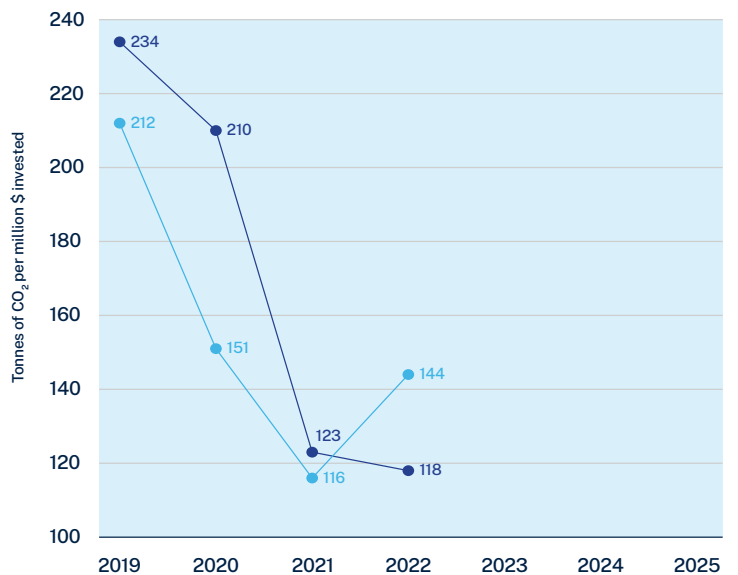
## Carbon Metrics

In establishing the carbon footprint of the funds we manage, UBC Investment Management considers two measures: total carbon emissions, defined as greenhouse gas emissions per \$1 million invested; and carbon emissions intensity, defined as greenhouse gas emissions per \$1 million of sales.

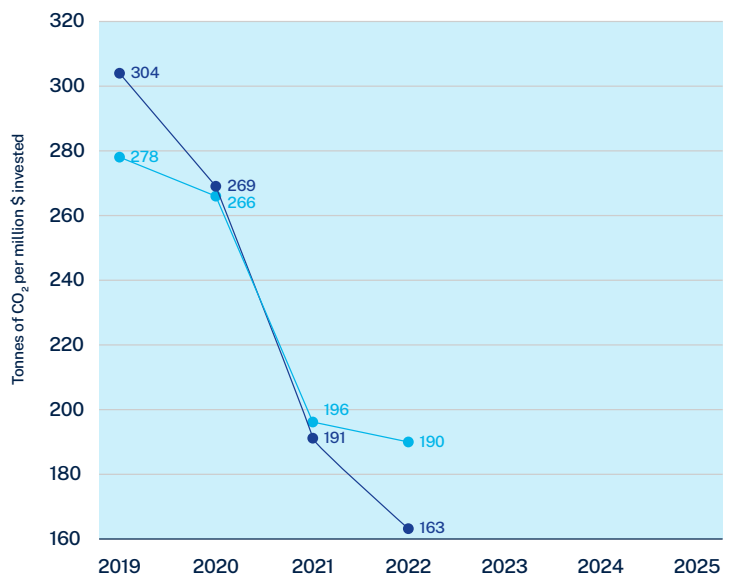
The total carbon emissions of an investment portfolio are calculated as the sum total of the carbon dioxide equivalent emissions of each company we're invested in, proportionate to our investment in that company. The total carbon emissions intensity of an investment portfolio is calculated as the sum total of the carbon dioxide equivalent emissions per unit of sales revenue of each company we're invested in, proportionate to our investment in that company.

Through March 2023, the UBC Endowment Fund's carbon footprint (total emissions) was 55% below the baseline level set in 2019, while carbon intensity was 53% below the baseline level. The UBC Staff Pension Plan's carbon footprint decreased by 39% and carbon intensity decreased by 37% over the same period.

Carbon Emissions Trend



Carbon Intensity Trend



● Endowment Portfolio ● SPP Portfolio Data Source: MSCI

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## Measuring Social and Governance Factors

With our strategic foundation in place, UBC Investment Management can now leverage the hard work completed to date in deepening our responsible investing commitment — and we’re already seeing the benefits. The enhancements we’ve made to how we monitor and manage ESG-related risks are yielding positive results in our portfolios. We’re expanding our focus beyond public markets to look in more depth at private markets. And as we continue to prioritize climate-related issues in setting objectives for the funds we manage, we’re also increasing our focus on how best to evaluate risks related to social and governance factors.

Widening the focus of responsible investing — as some express it, “looking beyond the E in ESG” — is an evolving area of understanding for the global investment industry. For UBC Investment Management, it begins with the activities outlined under the Leadership pillar of our responsible investing strategy. In FY22–23, we began conducting peer reviews to understand best practices. We also tested various data and analytics platforms as the first step toward establishing non-climate metrics that will enable us to integrate more social- and governance-related risks into our responsible investing activities.



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# Investment Strategy: Enhancing Our Capabilities

The new systems will deliver powerful analytics and support a more robust, holistic approach to performance attribution and risk management.

# Our Transformation Continues

In FY22–23, the second year of our three-year transformation plan, UBC Investment Management focused on strengthening our analytics capabilities and developing an enhanced approach to return attribution and risk management, while continuing to build up our investment programs. This work built on the extensive foundation we'd put in place during year one — notably the creation of a more robust investment framework.

The new framework, which is detailed in the next section, starting on page 22, clarifies our investment decision-making by establishing three tiers of governance.

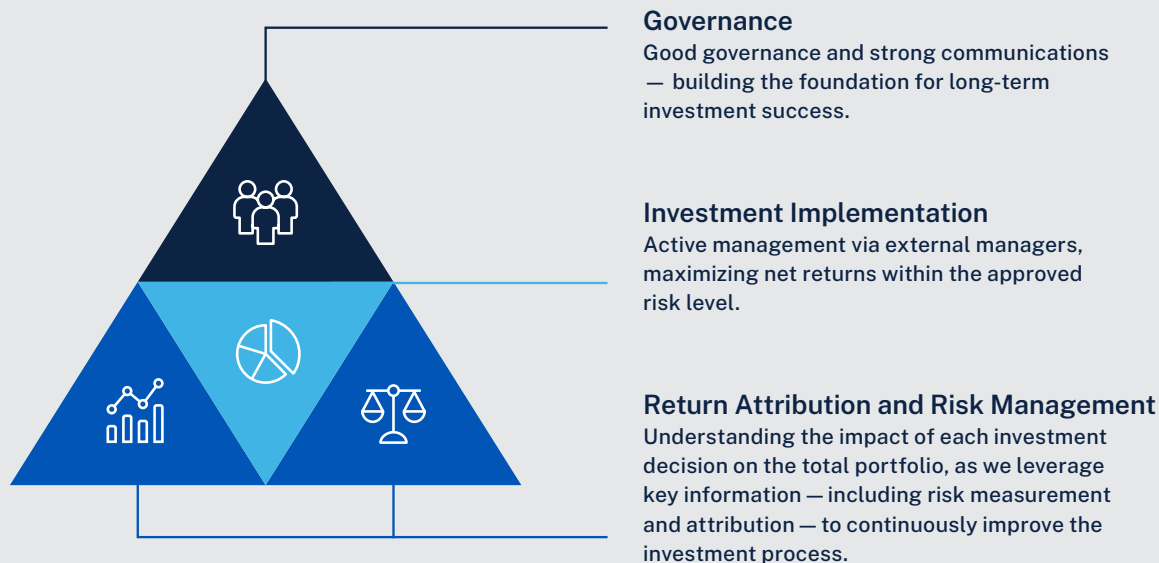
We began bringing this conceptual framework to life by enhancing the return attribution and risk management capabilities that drive our investment decision-making. To design a more effective approach, we needed deeper insights into risk attribution and the nuances of return drivers within our managed funds. And that meant investing in new systems that would generate high-quality data and support more sophisticated analytical tools.

In working to find the best solution, our team evaluated a wide range of specialized providers and asked 10 companies to develop custom demos and trials based on our specifications. After rigorous testing and assessment, we found no single solution that could deliver the level of detailed insights and expert analysis we required. We therefore chose two complementary systems that can be integrated effectively. Together, they enable a robust, holistic approach to return attribution and investment risk modelling that meets our high expectations.

In January 2023, we launched the implementation phase, loading portfolio transactions, valuations and investment holdings into the two systems. We then built a six-tier portfolio hierarchy that attributes risk and returns at multiple levels — from a total fund view down to the individual strategies for each manager — and analyzes contributions on both a relative (i.e., versus the benchmark) and absolute basis. The systems' enhanced analytics capabilities provide more timely insights into our portfolio exposures, as well as the investment performance of our external managers and our own investment programs. The combined solution also delivers detailed modelling of and insights into our private market investments.

We are now focused on integrating our information systems and developing automated reporting to further enhance the monitoring of investment risk and returns. Our focus going forward will be on continuously improving this foundational work, broadening our access to insights that enable more nimble investment decision-making and superior results.

# Our Total Portfolio Investment Framework



The investment framework developed by UBC Investment Management employs a total portfolio approach. It's designed to clarify decision-making at each step of the investment process, integrating transparent measurement processes to facilitate continuous improvement. The framework provides all governance bodies that oversee our activities — the UBC Board of Governors, Staff Pension Plan Board and our own Board of Directors — with the information they need to assess the effectiveness of all investment decisions. We believe that good governance is foundational to long-term investing success.

Our approach focuses on three key points in the investment decision-making process:

- determining the long-term return required to meet a fund's financial objectives and risk tolerance level
- selecting a mix of assets that maximizes the probability of achieving those objectives within agreed risk parameters
- determining implementation of this target asset mix to achieve the best net-of-fee return.

To implement our investment framework, we've established three portfolio tiers that correspond to these decision points, establishing clear accountability and measuring results to ensure every choice we make contributes to the fund's overall goals.

### Reference Portfolio

- a simple set of public assets expected to meet a fund's long-term financial objectives
- establishes overall risk tolerance for investment decision-making
- enables governing bodies to monitor a fund's ability to deliver a required return at a defined risk level

### Strategic Portfolio

- diversification beyond the Reference Portfolio: establishes the target asset mix
- sets strategic direction for long-term implementation
- expected to generate incremental return above the Reference Portfolio (or reduce risk through diversification)

### Investment Portfolio

- implementation of the Strategic Portfolio by the UBC Investment Management team
- selection and monitoring of external managers
- flexible active management, based on risk limits and other parameters agreed to by our internal partners, to seek additional sources of returns

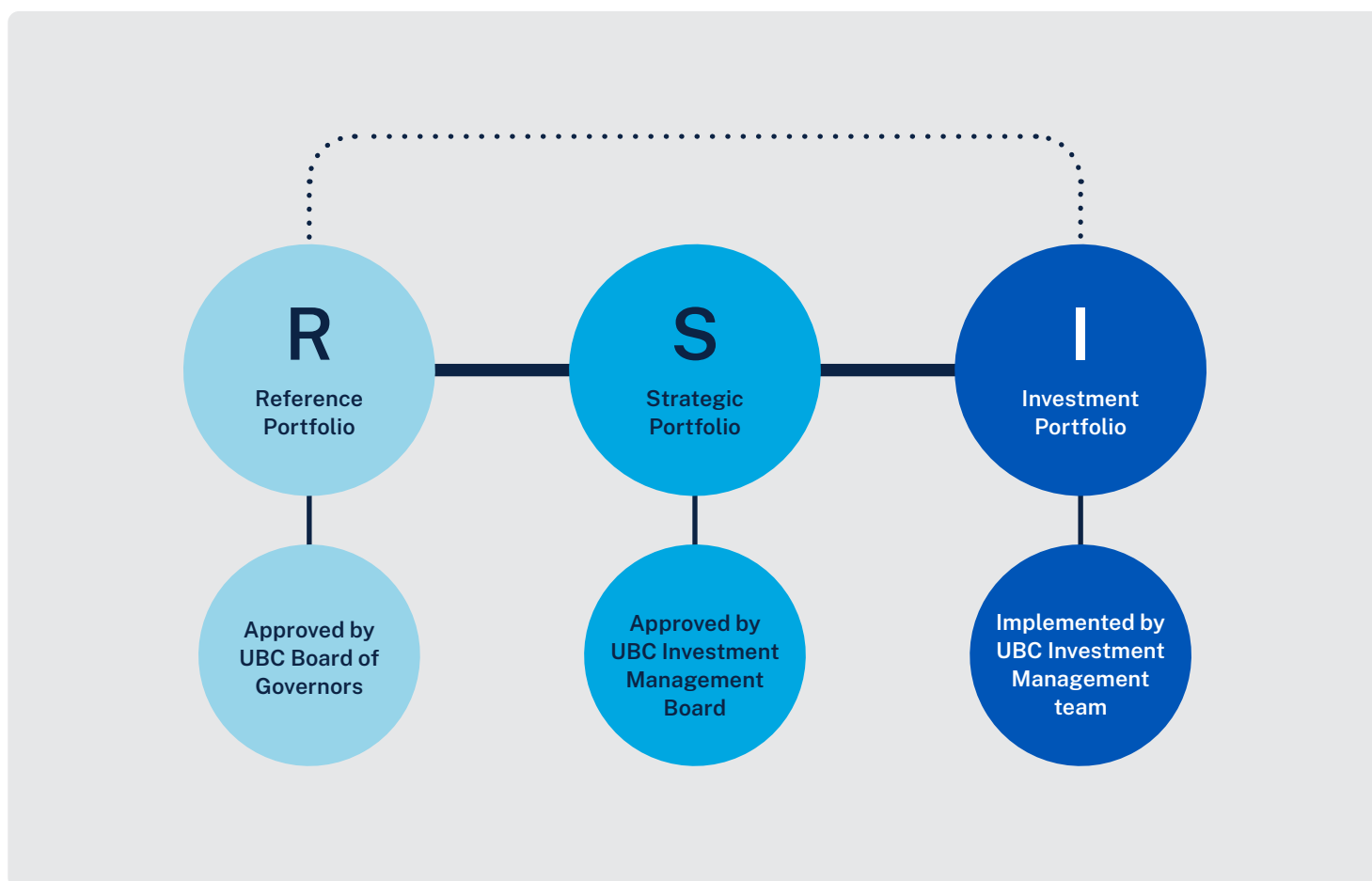
The Reference Portfolio is central to our investment framework. This set of public market assets is designed to meet a fund's long-term financial objectives and establishes a benchmark for the fund return and risk tolerance of UBC's investment portfolios. The Reference Portfolio is simple and cost-efficient, and it requires

minimal effort to design and implement. It provides an objective, market-based yardstick for evaluating risk and measuring the gains or declines within our actual portfolios that result from taking active investment management decisions. We design the Reference Portfolio as a long-term benchmark; although it is reviewed periodically, it's not expected to change meaningfully unless the return objective or its risk tolerance changes.

The next tier in our investment framework is the Strategic Portfolio. This is the set of high-level decisions that map out a diversified asset mix for our portfolios. Assets must be readily 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.

# Applying the Framework to the Endowment Funds



## ● Reference Portfolio

- return objectives
- risk tolerance appropriate for the fund

## ● Strategic Portfolio

- diversification into other asset classes and target weights
- investment programs, including Strategic Portfolio asset class ranges, implementation scope, constraints and benchmarks
- risk framework, measures and limits

## ● Investment Portfolio

- portfolio construction
- manager selection/termination
- active versus passive investment
- investment style (value, growth, etc.)
- private allocations
- ESG integration

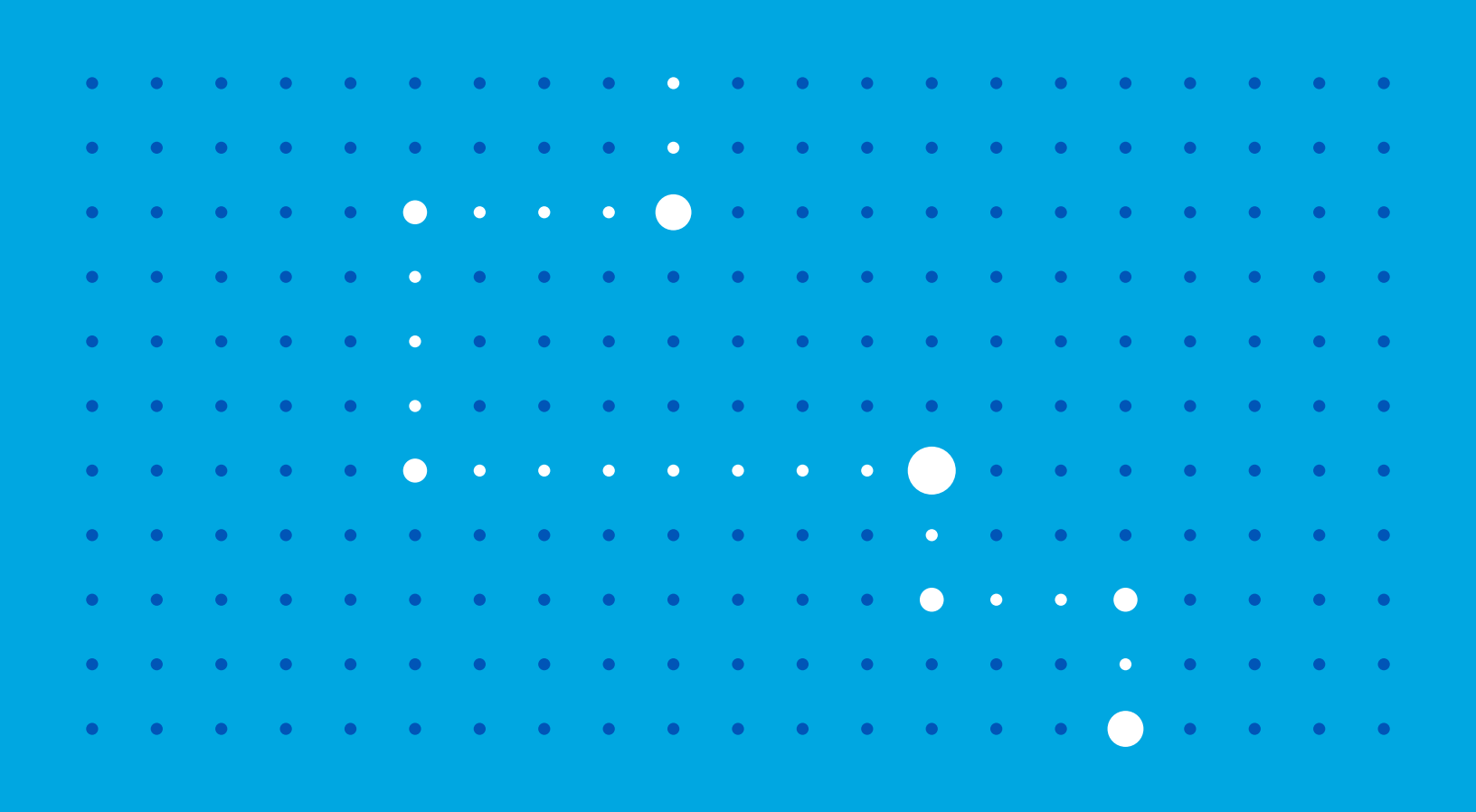
Asset Class	Reference Portfolio Weight	Strategic Portfolio Weight
<b>Fixed Income</b>	<b>30.0%</b>	<b>17.5%</b>
Liquidity Assets		5.0%
Public Fixed Income	30.0%	
Private Fixed Income		12.5%
<b>Equity</b>	<b>70.0%</b>	<b>55.0%</b>
Global Equity (All-Country World Index)	70.0%	
Global Developed Market Equity		30.0%
Emerging Market Equity		15.0%
Private Equity		10.0%
<b>Real Assets</b>		<b>20.0%</b>
Real Estate		10.0%
Infrastructure		10.0%
<b>Absolute Return</b>		<b>7.5%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Within the new investment framework, our President and CEO, in consultation with the rest of the UBC Investment Management team, approves strategies for implementing and actively managing the Investment Portfolio. The factors we consider include overall portfolio construction, manager selection, active versus passive implementation, investment styles, currency hedging and allocations to private assets.

By making the Reference Portfolio foundational to all decision-making, we've made 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.

At the same time, the Reference Portfolio and the Strategic Portfolio share basic assumptions about long-term investment returns, as well as specific scenario analyses that consider the potential impacts of climate change under different pathways. UBC Investment Management was among the first institutional investors in Canada to incorporate in-depth climate risk analysis into decision-making related to strategic asset mix. That analysis informs the construction of the Strategic Portfolio.

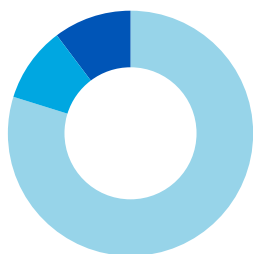
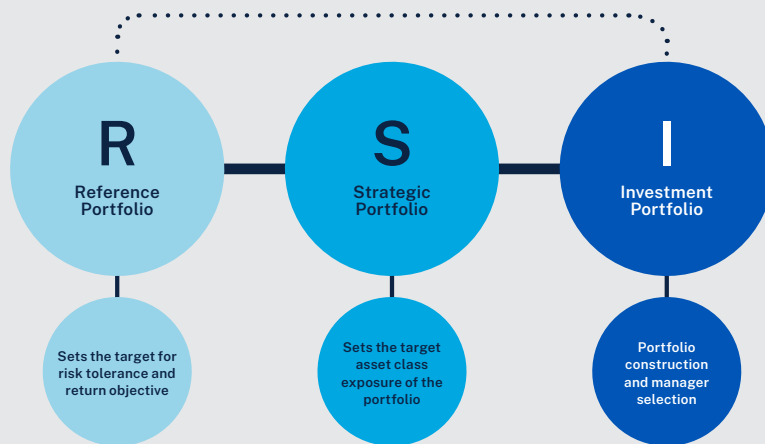
The UBC Board of Governors approved a Reference Portfolio of 70% Global Equity and 30% Canadian Fixed Income for the Main Endowment Pool in 2021, which is expected to meet the Endowment's spending rate and intergenerational equity goals over the long term.



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# Investment Process: How Our Framework Delivers Value

Designating three distinct tiers of oversight helps to clarify accountability and ensure optimum returns.



- Incremental returns from active management and manager selection (Investment Portfolio)
- Incremental returns from diversification (Strategic Portfolio)
- Market returns of the Reference Portfolio

### Expected Contribution to Portfolio Returns

The Reference Portfolio, as a yardstick for risk and return in our funds, gauges roughly 80% of a portfolio’s total investment return. We strive to generate incremental return for the funds we manage above the Reference Portfolio through diversification, portfolio construction and investment implementation.

Periodically, we review the Strategic Portfolio for each fund we manage to determine the target mix of asset classes and exposures that we expect will provide the strongest long-term returns – at the approved risk tolerance level based on each fund’s financial objectives and liability profile.

For the UBC Main Endowment Pool and Working Capital Fund, the Board of Directors of UBC Investment Management approves the Strategic Portfolio. For the UBC Staff Pension Plan, the SPP Board works with actuarial and investment consultants and UBC Investment Management staff to recommend a Strategic Portfolio for the UBC Board of Governors’ approval.

As we implement the Strategic Portfolios for the funds we manage, there are three core competencies that set UBC Investment Management apart: our rigorous selection of investment partners, our focus on top-down portfolio construction, and our continuous enhancement of investment process through return and risk attributions. Leveraging these combined strengths, we gain a deep understanding of our managed portfolios, along with the data-driven insights we need to continuously enhance our investment decision-making.

# Choosing the Right Investment Partners

## Investment Implementation

Active management via external managers, maximizing net returns within the approved risk level.



A fundamental pillar of UBC Investment Management is our ability to choose the right partners. Our active, 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 the portfolio construction of our asset class investment programs and evaluating and monitoring current and prospective investment managers. This is what drives value-add for the funds we manage.

Guided by the Strategic Portfolio for each fund we manage, the UBC Investment Management team determines an appropriate investment strategy and selects external management firms for every asset class within our investment programs. Here, our size is a key advantage relative

to our peers. UBC Investment Management has sufficient scale to gain significant fee savings; at the same time, our size allows us to stay nimble and avoid potential challenges in deploying capital to achieve our target asset allocations.

When selecting a new external manager, we look for a partner with the skills, experience and relationships to deliver excess 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.

## Choosing the Right Managers

The success of UBC Investment Management's overall investment strategy depends on our careful, in-house evaluation of prospective managers to ensure they meet our standards and can contribute to achieving the university's goals. Therefore, our investment due diligence process is extremely rigorous to provide confidence that a chosen partner will benefit our portfolios.

In our manager selection and due diligence processes, we have established clearly defined steps for identifying, assessing and monitoring the practices of the managers we choose to work with. Our enhanced requirements for all due diligence recommendations include alignment with a set of active investment manager investment beliefs. In addition, standardized ESG risk assessments highlight the materiality of ESG risks for all investments, the manager's ESG integration level, and residual ESG risks that can be aggregated across the portfolio and reported to the UBC Investment Management Board.

### **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
- tax structure and impact on expected performance

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 Investment Management'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 Investment Management's due diligence is our use of sophisticated models and software in our research and analysis. We continually evaluate analytical 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 from the Board, with support from UBC Investment Management's investment and operational teams. As part of this process, we produce a formal due diligence report on all aspects of the investment process, including ESG considerations. This comprehensive analysis serves as the basis for investment manager recommendations and discussions within the UBC Investment Management team prior to approval.

### **Monitoring Our Managers**

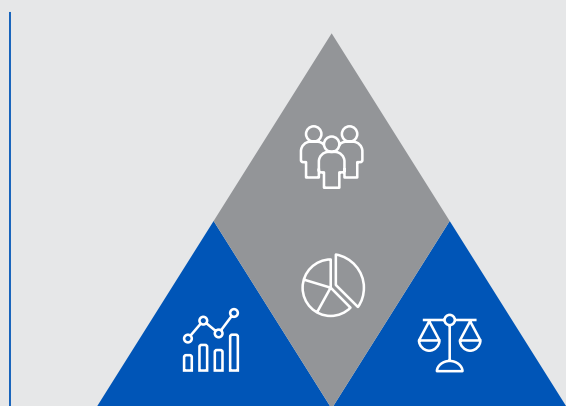
Once UBC Investment Management has committed to and funded an external investment manager, we establish consistent monitoring to confirm our original investment thesis and identify any changes in approach or deviations from expectations. This process includes the review of performance and other reports, quarterly meetings and conference calls, and the regular collection of portfolio holdings data incorporated into our risk management approach.

We report to the UBC Investment Management Board any change in status of an external manager, including when they are hired, terminated, and placed on or removed from a watch list. Our manager reporting is focused on the key tenets of investment manager assessments: performance, investment process, people, portfolio fit, and pacing (for private investments).

# Our Approach to Performance Attribution and Risk Management

## Return Attribution and Risk Management

Understanding the impact of each investment decision on the total portfolio, as we leverage key information — including risk measurement and attribution — to continuously improve the investment process.



## Asking the Right Questions

Selecting the Reference Portfolio and the Strategic Portfolio are key decision points under our investment framework. But effective governance of our decision-making also requires ongoing evaluation of investment returns and risks. The framework incorporates feedback loops in which each portfolio’s return is assessed against its Reference Portfolio to ensure returns are sufficient to achieve our stated goals. The investment team monitors this data closely to assess the contribution of various investment decisions to the total portfolio objectives of our managed funds. In FY22–23, we worked to refine and enhance our approach to both return attribution and risk management, and we carefully selected partners to systemize our analytics.

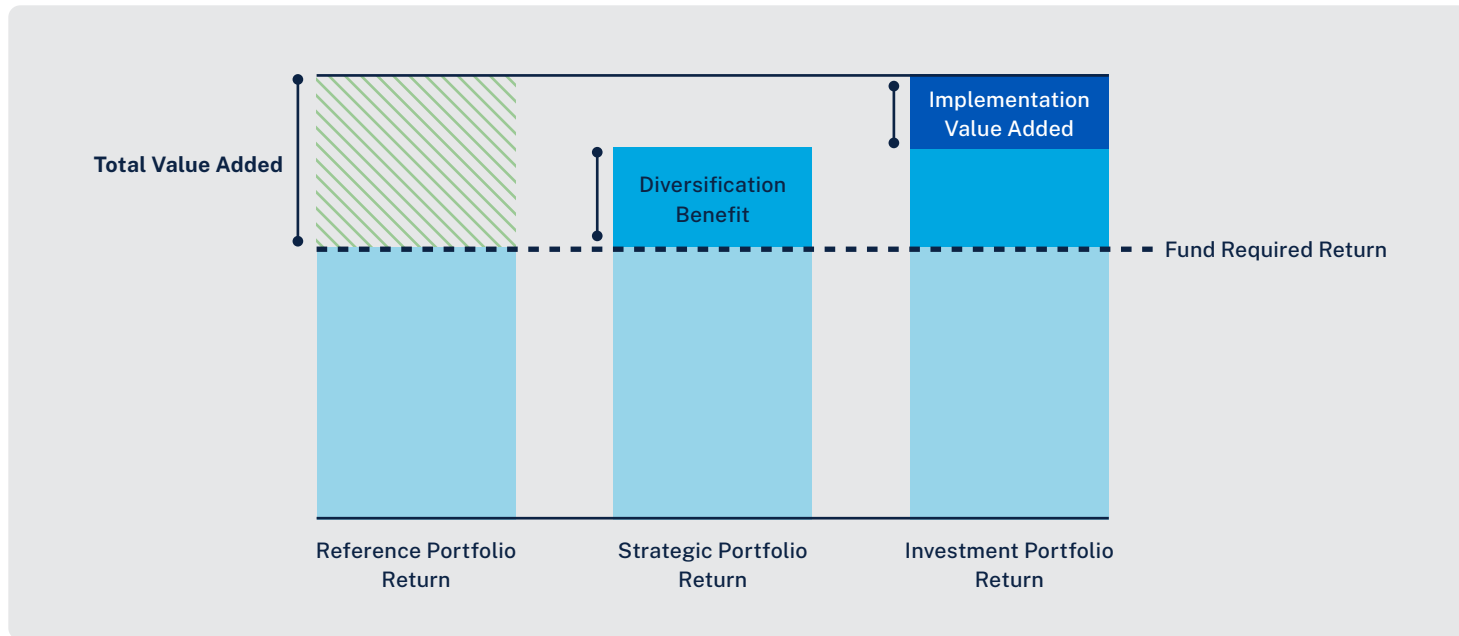
## Assessing Returns

Effective return attribution is far more than an array of numbers. It must be informative and actionable, measuring the outcomes of investment decisions and providing governance bodies with the information needed to determine if a portfolio is meeting expectations. Effective attribution helps indicate when a change is required and pinpoints where to make it — in the Reference Portfolio, the Strategic Portfolio or the Investment Portfolio. As a result, decision-making is more precisely targeted and, equally important, more transparent for all stakeholders.

At UBC Investment Management, our return attribution approach is shaped by three fundamental questions:

- Are capital markets meeting both expected and required return objectives for the funds we manage?
- Is diversification delivering the level of benefits we anticipated?
- Has active implementation of the Strategic Portfolio added value?

Each question focuses on a key dimension of the decision-making process: respectively, establishing the Reference Portfolio, developing the Strategic Portfolio and implementing the Investment Portfolio. By breaking down the total fund return into these contributing aspects, we can better assess the impact of specific decisions in generating required returns. And when necessary, we can hone in on a specific component that needs attention to ensure the fund’s overall success in meeting objectives.



### Reference Portfolio Return

The Reference Portfolio, which provides an indicator of the return generated by public capital markets given the risk tolerance level, is expected to meet our fund’s required return objective over the long term. We monitor those two metrics to assess whether the Reference Portfolio is set at the appropriate risk level.

### Strategic Portfolio Return and Diversification Benefit

Over the long term, the Strategic Portfolio should outperform the Reference Portfolio and generate additional value by allocating to asset classes that are further diversified. This diversification benefit tells the UBC Investment Management team whether the additional complexity of the Strategic Portfolio’s asset mix is benefitting the overall fund.

### Investment Portfolio Return and Implementation Value-add

Any excess return from the Investment Portfolio over that of the Strategic Portfolio is a measure of the value-add created by our team as we make decisions on portfolio construction and manager selection. Based on this value-add, our Board can assess whether active portfolio implementation is producing beneficial outcomes in the overall fund.

Active management is not a low-cost approach. It requires additional resources and staff, along with more intensive monitoring of risk. In addition to public equities and bonds, it may include, for instance, investing in private markets. This is where our enhanced capabilities in return attribution are already providing insights. Thanks to the new systems we’ve selected, we will have the tools and insights to deliver measurable results beyond those attributable to the Strategic Portfolio.

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## Our Integrated Approach to Managing Risk

UBC Investment Management takes a holistic approach to risk management, considering both the investment risk associated with managing the investment portfolios, as well as the enterprise risk our organization must navigate in implementing our corporate strategy. As an active investor and allocator employing a manager-of-managers model, we have long made risk management a focus and core competency of our team. Early in our history, to gain a deeper understanding of our portfolio exposures, we enhanced our risk practices to account for detailed characteristics of our public and private holdings. This work has steadily advanced in recent years as we've gained more in-depth information from our external managers on the characteristics of our private investments, as well as environmental, social and governance (ESG) metrics for their investment strategies.

In FY22–23, we further evolved our risk frameworks, more closely aligning our investment risk management with our overall investment approach and redesigning our enterprise risk management processes to reflect industry best practices.

## Investment Risk Management

To develop a new investment risk management framework, we started by considering how risk is defined by each stakeholder that plays a role in our investment decision-making – much as we did in rethinking our approach to return attribution.

The UBC Board of Governors, which approves the risk tolerance and required return of the funds we manage, wants to ensure that risk in the investment portfolio is appropriately managed to deliver beneficiaries' desired return over the long term.

UBC Investment Management's Board of Directors and the UBC Staff Pension Plan Board are responsible for developing the Strategic Portfolios for the Endowment and the Staff Pension Plan, respectively; both are then recommended to the UBC Board of Governors. They focus primarily on whether risk in the Investment Portfolio is consistent with that of the Strategic Portfolio, and also whether our investment decisions are subject to adequate controls.

The UBC Investment Management team, in actively managing the Investment Portfolio, monitors and reports on risk to our Board, the UBC Staff Pension Plan Board and the UBC Board of Governors. In addition, we closely monitor the liquidity profile of the Investment Portfolio and ensure that funds of external investment managers remain in line with our underwriting criteria and return expectations.

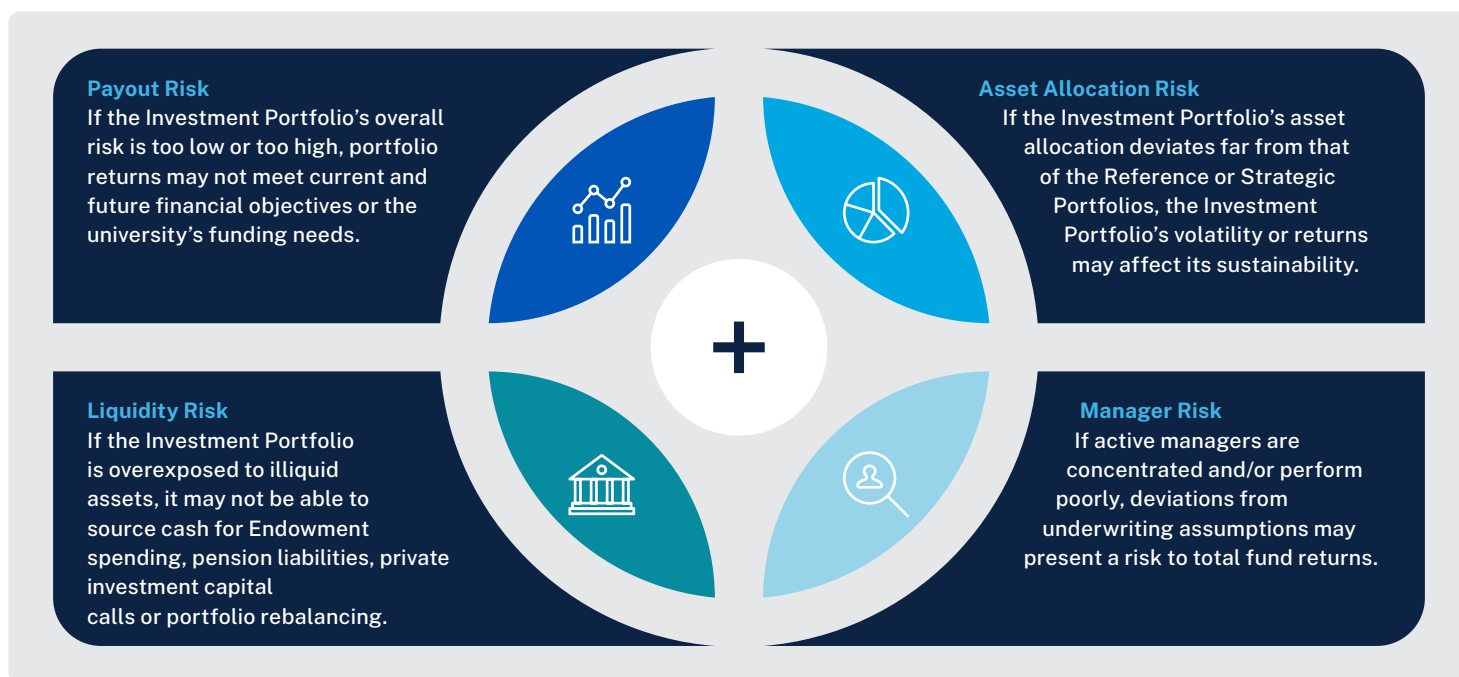
### Our Investment Risk Framework

The Investment Risk Framework builds on the information needs of investment decision-makers and helps inform our policies, constraints and internal processes. Our redesigned framework identifies four key investment risk elements:

- **Payout Risk** – the potential inability of the Investment Portfolio to meet our long-term financial objectives
- **Asset Allocation Risk** – whether the risk profile of the Investment Portfolio reflects UBC’s risk tolerance
- **Liquidity Risk** – the potential inability of the investment portfolio to meet its liquidity obligations and rebalance to the Strategic Portfolio in times of market stress
- **Manager Risk** – whether our active management implementation deviates from underwriting assumptions or is too concentrated among external managers

Assessing and managing ESG-related risks is integral to our investment process and is embedded throughout our risk framework. We assess potential impacts of climate change on long-term asset class returns and in modelling to evaluate payout risk. We consider broad ESG risks across sector and geographic exposures in implementing the Investment Portfolio. And we examine how our external managers assess, manage and report on ESG factor risks.

Our risk framework employs the new analytical tools we’ve acquired, along with custom models developed in-house, to provide insights into the funds we manage. Using these enhanced capabilities, particularly in modelling private market investments, our team can view risk within the portfolios more efficiently and fully than in the past. Most importantly, these tools deliver enhanced insights to guide implementation within our investment framework.



### Our Enterprise Risk Management Framework

In FY21-22, UBC Investment Management began the important work of revamping how we identify and manage enterprise risk — that is, risk not directly related to managing our investment portfolios that nevertheless could have significant impact on our organization and the implementation of our corporate strategy. As we developed our investment risk management framework, we systematically assessed non-investment risk, adopting proven best practices for an organization of our size.

During FY22-23, we made significant progress in developing and implementing this new approach to enterprise risk management under the guidance of the Risk & Audit Committee of our Board of Directors. We also worked closely with UBC’s Office of Enterprise Risk and Assurance to ensure our comprehensive assessment framework closely aligned with that of UBC.

As the diagram below shows, we’ve defined six categories of organizational risk and within those have identified a range of specific risks. Our enterprise risk framework focuses on the probability of these risks occurring and their potential severity, given the controls in place. It also pinpoints areas where the current level of enterprise risk is misaligned with the risk tolerance of the Board.

As part of our ongoing improvement of all business processes at UBC Investment Management, we’ve expanded quarterly and annual reporting to the Board to include updates on our progress in analyzing and mitigating enterprise risks. Implementation of the enterprise risk framework was substantially completed in FY22-23. The clarity and discipline it brings will be invaluable as we begin developing the next phase of our strategic plan over the next fiscal year.





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# Investment Review Fiscal Year 2022–2023

A detailed breakdown and analysis  
of our portfolios' performance  
over the past fiscal year.

**At March 31, 2023, UBC Investment Management** managed \$5.8 billion in assets across five funds. Each of our managed funds has its own risk and return objectives and unique policy asset mix targets. As such, each fund will have different investment results.

The two largest funds we manage — the UBC Main Endowment Pool and UBC Staff Pension Plan — are constructed as diversified multi-asset class portfolios, actively managed by UBC Investment Management to generate value-add over a passive implementation model. The funds' Strategic Portfolio selection considers each fund's unique required return, investment horizon and liquidity profile, along with the overall investment risk tolerance level of the capital pools.

UBC Investment Management also actively manages UBC's Working Capital Fund, representing operating capital of the university. This fund, constructed as a fixed income portfolio without a specified required return, has a shorter investment horizon and higher liquidity requirements than the UBC Endowment and Staff Pension Plan.

Other funds overseen by UBC Investment Management include smaller capital pools that are passively managed and endowments with specific investment restrictions.

# 2022–2023 in Review

In early 2022, geopolitical and economic developments converged to create considerable uncertainty around the globe, which in turn caused turbulence in financial markets.

As consumer demand continued to rebound from the COVID-19 pandemic, supply chains were still playing catch-up. Then the Russian invasion of Ukraine in late February exacerbated inflationary pressures that had been building over the previous 12 months. The crisis propelled inflation rates in major economies to levels not seen in four decades. Central bankers, who had expected the threat of inflation to be a transitory issue, quickly deployed a coordinated series of rate hikes with the goal of controlling excess demand and rising prices.

This rapid tightening of financial conditions, combined with lack of certainty over how far interest rates might rise, sent shock waves through financial markets. Bond and stock markets absorbed substantial losses through the first three quarters of the year. Broad equity markets reached their low point in early October, falling by more than 25% from the beginning of the year. Longer-maturity bond indexes experienced comparable losses over the same period.

## Confidence Returning

Investor sentiment began to improve in the fourth quarter of 2022, as high year-over-year inflation growth peaked in major developed economies. A similar return of confidence was evident in China, after authorities eased strict pandemic policies that had severely constrained the world's second-largest economy.

In response to these global shifts, equity markets yielded strong returns through the end of the year and into the first quarter of 2023. Investors were also encouraged by the actions of leading central banks, which began easing the pace of interest rate hikes as they evaluated their progress in bringing inflation levels back within target ranges.

## Interest Rate Impact

The impact of higher interest rates was uneven across the global economy, with the information technology, real estate and banking sectors experiencing the most acute challenges. In the financial sector, the drop in government bond prices left banks with significant unrealized losses on their balance sheets. This caused some alarm among depositors and investors in smaller banks, institutions that tend to lack strong business diversification and risk management practices.

The brewing crisis came to a head in March 2023, when several U.S. regional banks succumbed to rapid depositor outflows and had to be rescued by regulators; at the same time, the Federal Reserve implemented emergency measures to stabilize similar institutions. Fear of contagion within the banking sector, especially following the high-profile rescue of Credit Suisse, continued to grip international markets at the end of March — the fiscal year-end of UBC Investment Management.

The commercial real estate industry likewise grappled with several emerging challenges in FY22–23, including higher interest rates, rising vacancy rates in the office sector and a tightening of available credit for developers. However, although valuations have declined in some areas of the real estate market, other areas have continued to perform well. Multifamily and industrial assets, for instance, have demonstrated relative stability, even as office and retail properties have faced more significant challenges.

### **Economic Resilience and Potential Uncertainty**

Overall, the global economy in FY22–23 was surprisingly resilient to higher interest rates and inflationary pressures, despite the turbulence in financial markets and widespread expectations for an economic slowdown. In most major world economies, employment metrics were strong, while globally, real GDP advanced by 3.4%.

Still, with inflation remaining above central bank targets, it's difficult to gauge the potential longer-term impact of higher interest rates on household consumption and corporate profits. This is a key source of uncertainty that will continue to affect economic growth, and therefore capital markets, in the coming year. A soft landing in which inflation and economic growth decelerate without tripping a recession would be welcome news for investors — but it's an outcome that will be exceedingly difficult for policymakers to engineer.

# 2022–2023 Investment Performance

Values as of March 31, 2023

## MAIN ENDOWMENT POOL

2023

**\$2.09** billion

2022

**\$2.06** billion

## STAFF PENSION PLAN

2023

**\$2.40** billion

2022

**\$2.33** billion

## WORKING CAPITAL FUND

2023

**\$1.1** billion

2022

**\$1.1** billion

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 \$262.8 million of endowed assets, managed passively against public benchmarks or under specific investment restrictions, at other foundations that support UBC-based programs (see page 52).

# Investment Program Results

We categorize our investment assets into five broad investment programs that share similar attributes and guide our Strategic Portfolio allocations:

- Fixed Income Program
- Equity Program
- Real Assets Program
- Absolute Return Program
- Total Portfolio Management Program

Each of our investment programs is governed by a policy submitted annually, alongside a technical review of program composition and performance, for approval by the UBC Investment Management Board. Program policies describe the investment objectives of the program, performance benchmarks for sub-asset class strategies, and any constraints related to portfolio construction.

## 2022–2023 Performance Results

Overall, our investment programs have delivered strong performance over the year ended March 31, 2023, resulting in robust Implementation Value Added (investment portfolio return relative to the Strategic Portfolio benchmark) when aggregated at the total fund level. In particular, private markets investments continued to generate strong absolute returns through FY22–23 across credit, private equity and infrastructure strategies. Relative to public market benchmarks, these asset classes delivered significant value-add over the one-year period.

Under our investment framework, we prefer to evaluate our programs over a five-year period, seeking to generate value-add over passive public market benchmarks. Over five years, our Fixed Income and Real Assets Programs have achieved this objective, while our Equity and Absolute Return Programs have underperformed.

Since 2019, UBC Investment Management has focused on enhancing our private market capital deployment and pacing, developing strategic partnerships with several top-tier investment managers and maturing our portfolio construction in Private Credit, Private Equity, Real Estate and Infrastructure to build up programs that can continue to add value in different market environments. Over five years, our private credit and private equity investments in the Main Endowment Pool have delivered annualized returns of 8.2% and 13.6%, outperforming their benchmarks by 4.1% and 4.5%, respectively, while our real assets portfolio has added 3.5%.

For the Staff Pension Plan portfolio, the overall level of outperformance versus passive benchmarks was similar to the Main Endowment Pool. Absolute returns across private credit and real assets, however, were lower: the fund's currency hedging policies on those asset classes in combination with the depreciation of the Canadian dollar detracted from returns over the period.

## Asset Class Commentary

Within our Equity Program, the investment team conducted a thorough review of the public equity manager roster in FY21–22 and established a number of new relationships that were funded over the last two years. Our review of the Private Equity Portfolio also resulted in the establishment of two new strategic relationships in 2021. UBC Investment Management began funding those strategies in 2022, as other funds returned capital.

Across our Private Credit, Real Estate and Infrastructure Portfolios, several new investments were made to bring allocations to target levels, and capital returned from existing investments needed to be redeployed. Our investment team continued to evolve the portfolio construction

within its Real Assets Program and Private Credit Portfolio to reduce exposure to broad core strategies and establish allocations to areas of the market with more favourable risk-return profiles. This includes additional geographic diversification in the programs and more value-add strategies that derive value through the strong execution of business plans.

The tables below highlight the Main Endowment Pool and Staff Pension Plan returns across UBC Investment Management’s Investment Programs for the period ended March 31, 2023:

Table 1

Investment Program Performance — Main Endowment Pool (at March 31, 2023)

Investment Program	1-Year Return	1-Year Implementation Value Added <sup>1</sup>	5-Year Return	5-Year Implementation Value Added <sup>1</sup>
<b>Fixed Income Program</b>	<b>9.8%</b>	<b>2.8%</b>	<b>5.0%</b>	<b>0.9%</b>
Cash	3.3%	0.5%	1.1%	-0.2%
Government Bonds	-2.5%	-0.1%	-	-
UBC Debenture	11.9%	0.0%	7.3%	0.0%
Private Credit	13.5%	4.5%	8.2%	4.1%
<b>Equity Program</b>	<b>0.7%</b>	<b>0.7%</b>	<b>6.5%</b>	<b>-0.4%</b>
Public Equity	-1.2%	-0.9%	5.4%	-0.9%
Private Equity	11.6%	10.9%	13.6%	4.5%
<b>Real Assets Program</b>	<b>10.9%</b>	<b>20.1%</b>	<b>10.3%</b>	<b>3.5%</b>
Real Estate	5.4%	20.2%	10.3%	5.1%
Infrastructure	15.7%	19.1%	10.3%	2.1%
<b>Absolute Return Program</b>	<b>4.6%</b>	<b>5.7%</b>	<b>2.9%</b>	<b>-1.3%</b>

<sup>1</sup> Implementation Value Added refers to the asset class return relative to Strategic Portfolio asset class benchmarks.

Table 2

Investment Program Performance – Staff Pension Plan (at March 31, 2023)

Investment Program	1-Year Return	1-Year Implementation Value Added <sup>1</sup>	5-Year Return	5-Year Implementation Value Added <sup>1</sup>
<b>Fixed Income Program</b>	<b>-3.1%</b>	<b>1.5%</b>	<b>1.4%</b>	<b>0.7%</b>
Cash	3.7%	0.9%	2.1%	0.8%
Long Term Bonds	-7.3%	-0.2%	-0.2%	0.2%
Infrastructure Debt	-1.2%	6.5%	1.8%	2.0%
Mortgages	0.7%	-0.2%	-	-
Private Credit	7.0%	4.8%	-	-
<b>Equity Program</b>	<b>1.6%</b>	<b>2.8%</b>	<b>7.1%</b>	<b>-0.2%</b>
Public Equity	0.2%	1.7%	6.4%	-0.6%
Private Equity	14.4%	13.7%	13.6%	4.5%
<b>Real Assets Program</b>	<b>6.8%</b>	<b>20.8%</b>	<b>9.3%</b>	<b>3.7%</b>
Real Estate	1.8%	22.5%	9.8%	6.1%
Infrastructure	10.9%	19.4%	8.5%	1.5%

<sup>1</sup> Implementation Value Added refers to the asset class return relative to Strategic Portfolio asset class benchmarks.

# Total Fund Results

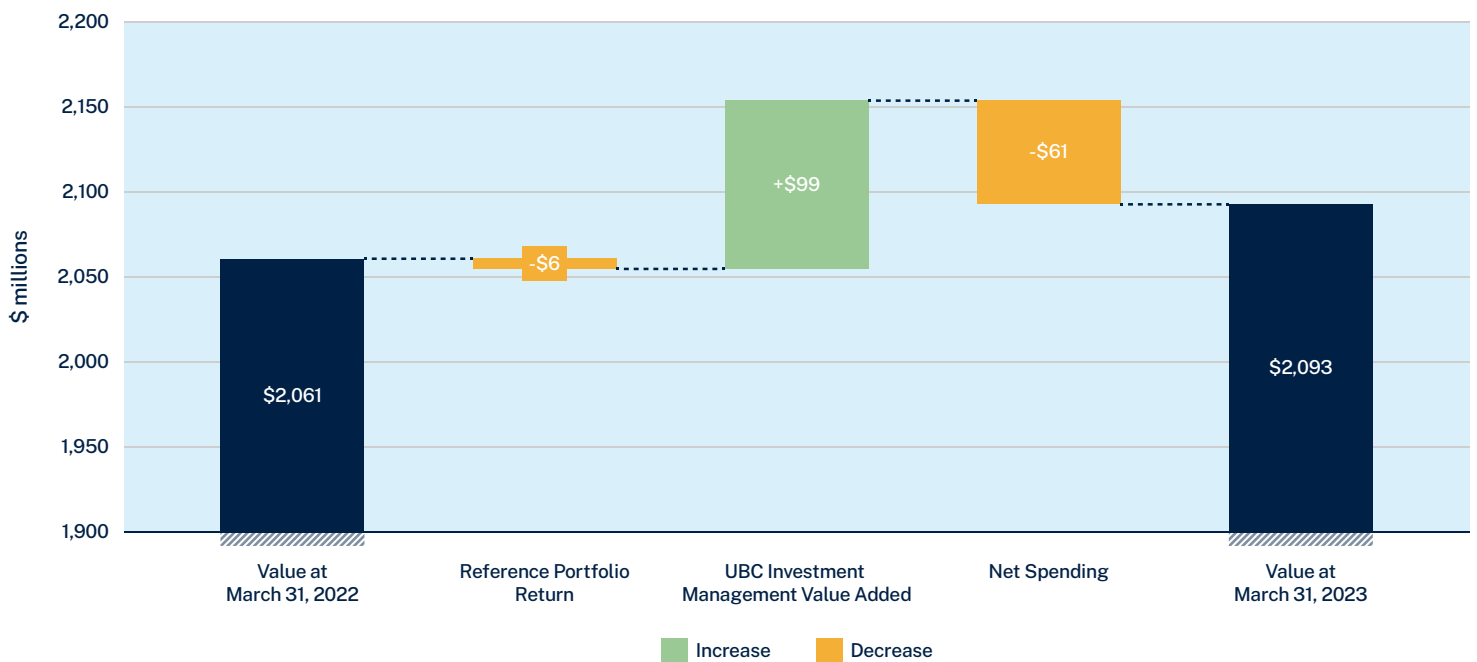
## Main Endowment Pool

### \$2.1 billion assets under management

The UBC Main Endowment Pool increased in value by \$32 million over the one-year period ended March 31, 2023, after \$61 million of net distributions were paid to the university out of the fund. Over FY22–23, the Main Endowment Pool distributed \$98.7 million to support various UBC programs.

The Main Endowment Pool generated \$99 million of value-add above the Reference Portfolio’s return in FY22–23.

**UBC Main Endowment Pool**  
Change in value FY22–23



The Main Endowment Pool asset mix is guided by the target weights of the Strategic Portfolio approved by the UBC Investment Management Board and the risk profile of the Reference Portfolio. The Main Endowment Pool’s Strategic Portfolio diversifies the Reference Portfolio into seven asset classes within UBC Investment Management’s broader investment programs. The Strategic Portfolio has a lower weighting to fixed income assets and public equities and includes allocations to real estate, infrastructure and absolute return strategies. Rather than passively replicating the Strategic Portfolio, our investment team pursues an active implementation using external managers —

deploying into private investments, for example, with the aim of outperforming the Strategic Portfolio. The team has discretion to allocate to asset classes within ranges set by the UBC Investment Management Board.

The following table contains the Main Endowment Pool’s asset mix as of March 31, 2023, as well as the Reference Portfolio and Strategic Portfolio’s target asset mix:

Table 3

Asset Mix — Main Endowment Pool (at March 31, 2023)

Investment Program	Reference Portfolio Target Weight	Strategic Portfolio Target Weight	Investment Portfolio
Fixed Income	30.0%	17.5%	16.9%
Equity	70.0%	55.0%	55.6%
Real Assets		20.0%	20.4%
Absolute Return		7.5%	7.1%

Table 4

## Performance Analysis — Main Endowment Pool (at March 31, 2023)

	1 Year	5 Years	10 Years
Endowment Required Return	9.1%	8.0%	6.8%
Investment Portfolio Return*	4.7%	6.7%	8.2%
Reference Portfolio Benchmark†	-0.3%	5.5%	7.5%
Value Added	5.0%	1.2%	0.7%

\*Returns are reported net of external investment management fees and are annualized for periods greater than one year.

†The Reference Portfolio was adopted by the Main Endowment Pool in FY21–22. The historical policy benchmark return was used for earlier periods.

The Main Endowment Pool generated a total return of 4.7% in the one-year period ended March 31, 2023, reflecting strong return results in the portfolio's Fixed Income and Real Assets Programs and more modest return from public equity investments. This result outperformed the Reference Portfolio by 5.0% over the same period. Over longer periods, the Investment Portfolio generated annualized returns of 6.7% over five years and 8.2% over 10 years, outperforming the portfolio benchmark by 1.2% and 0.7%, respectively.

Over longer periods, UBC Investment Management also assesses the Main Endowment Pool's ability to meet its principal objective: to maintain its inflation-adjusted value and generate growth sufficient to support the Endowment's spend rate and administrative charge. While ongoing inflationary pressures through 2022–23 have lifted the fund's 10-year required return to 6.8%, the Main Endowment Pool portfolio's corresponding return of 8.2% continues to exceed this target.

#### Attributing performance in the Main Endowment Fund

UBC Investment Management's investment framework is focused on the long-term performance of our managed funds, measuring and attributing the performance of key decisions made in the overall investment process to ensure each decision is contributing within expectations to the long-term financial objective. Key decisions include:

- the risk tolerance decision, represented by the Reference Portfolio
- the decision to diversify the Reference Portfolio to a passive multi-asset class Strategic Portfolio
- the active implementation decisions by the UBC Investment Management team to pursue incremental returns through portfolio construction, investment manager selection and private market investments

The table below outlines key sources of return and value-add over the one-year period ended March 31, 2023, when the investment framework become effective.

**Table 5**  
**Attributing Performance in the Main Endowment Fund (at March 31, 2023)**

	Reference Portfolio (A)	Diversification Benefit	Implementation Value Added	Total Value Added (B)	Investment Portfolio (A+B)
Investment Return	-0.3%	-0.4%	5.4%	5.0%	4.7%

The two-asset, passive Reference Portfolio approved by the UBC Board of Governors serves as the return and risk benchmark of the Endowment; it generated a return of -0.3% in the one-year period. This result was driven by modest positive returns from public equity markets over the period and negative returns from Canadian public bonds as a result of rising market interest rates.

The Strategic Portfolio expands the Reference Portfolio exposures to a diversified mix of investable public market indexes that represent an expanded set of asset classes, such as credit and real assets. This diversification is expected to generate incremental returns above the Reference Portfolio over the long term and reduce the overall risk level in the Investment Portfolio. The Strategic Portfolio is also used to guide the exposures in the Investment Portfolio and, importantly, enables the UBC Investment Management team to both add value through active investment selection and invest in private markets. Over the one-year period, this measure showed that diversification generated an incremental negative return of -0.4%.

The Diversification Benefit does not consider the impact of the decision to implement the Strategic Portfolio using active management and private market investments. The aggregate impact of these decisions is measured as the Implementation Value Added by the UBC Investment Management team. In FY22-23, this incremental return added 5.4% over the one-year period.

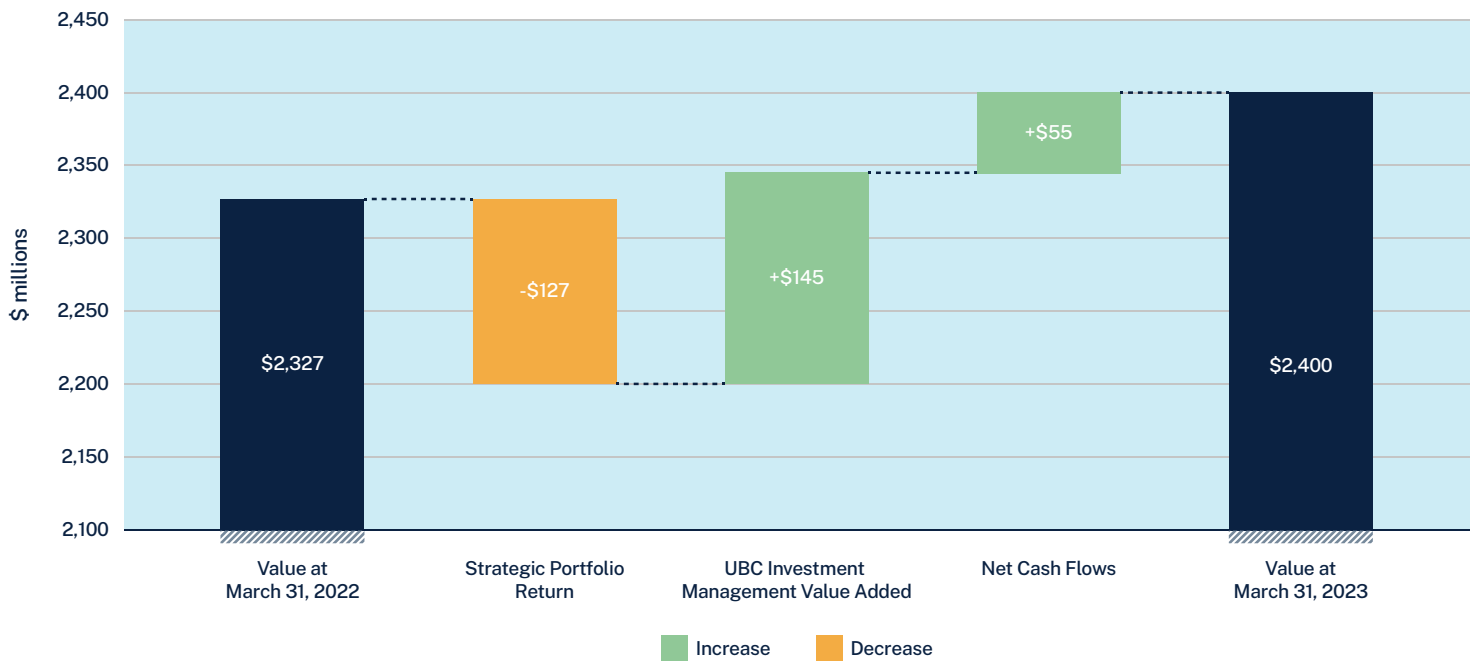
While positive implementation contributions were made across each of UBC Investment Management’s investment programs, private real estate and infrastructure investments within the Real Assets Program generated the majority of the Implementation Value Added over the one-year period, strongly outperforming listed real estate and infrastructure investments while public equity detracted value. Overall, the effect of diversification and active implementation added 5.0% of value-add above the Reference Portfolio return.

Staff Pension Plan

\$2.4 billion assets under management

The assets of the UBC Staff Pension Plan (SPP) grew by \$73 million in FY22–23, a result of modest total portfolio returns but strong positive cash flows into the plan. The SPP continues to have a healthy ratio of active members to pensioners, resulting in net contributions into the SPP Investment Portfolio after providing \$52 million of pensions payments in the year.

**UBC Staff Pension Plan**  
Change in value FY22–23



The UBC Board of Governors approves the SPP Strategic Portfolio asset mix based on the recommendation of the SPP Board. The Strategic Portfolio asset mix is informed by the results of periodic asset-liability modelling. Similar to the Main Endowment Pool, the UBC Investment Management team is responsible for the active implementation of the Strategic Portfolio, using external investment managers and private markets investment strategies to add value through incremental returns.

The SPP Strategic Portfolio has a 42.5% target weighting to fixed income, diversified across a number of sub-asset class strategies including long-maturity public and private bonds, and shorter-maturity private credit and mortgages. The Strategic Portfolio also has a 35% weighting to public and private equity and a 22.5% allocation to real assets. The current SPP Strategic Portfolio asset mix has been in effect since 2019.

The following table shows the SPP Investment Portfolio asset mix weightings as well as the Strategic Portfolio's target asset mix as of March 31, 2023:

Table 6

Asset Mix – SPP (at March 31, 2023)

Investment Program	Strategic Portfolio Target Weight	Investment Portfolio
Fixed Income	42.5%	41.5%
Equity	35.0%	36.0%
Real Assets	22.5%	22.4%

Table 7

Performance Analysis – SPP (at March 31, 2023)

Investment Program	1 Year	5 Years	10 Years
Long-Term Performance Objective			6.9%
Investment Portfolio Return*	0.9%	5.3%	6.9%
Strategic Portfolio Benchmark	-5.5%	4.3%	
Value Added	6.4%	1.0%	

\*Returns are reported net of external investment management fees and are annualized for periods greater than one year.

The SPP Investment Portfolio generated a total return of 0.9% in FY22–23, the outcome of strong performance from private market investments offset by weaker returns across public equity and long-maturity bond allocations. This result compared favourably to the SPP’s Strategic Portfolio return of –5.5% over the same period. Over five years, the SPP Investment Portfolio has returned 5.3% on an annualized basis, outpacing the Strategic Portfolio Benchmark of 4.3%.

Over longer periods, we also compare the SPP Investment Portfolio returns against a long-term return objective in the SPP’s Statement of Investment Policy: to achieve a return of 4.0% in excess of inflation. Over a 10-year period, the Investment Portfolio has achieved this objective.

**Table 8**  
**Attributing Performance in the SPP Portfolio (at March 31, 2023)**

	Strategic Portfolio (A)	Implementation Value Added	Total Value Added (B)	Investment Portfolio (A+B)
Investment Return	-5.5%	6.4%	6.4%	0.9%

For the Staff Pension Plan, the Strategic Portfolio recommended to the Board of Governors represents the return and risk benchmark of the fund. The SPP Strategic Portfolio is constructed as a diversified mix of investable public market indexes, with asset classes across Fixed Income, Equity and Real Asset Programs. We apply the performance attribution framework to the SPP portfolio in a similar manner as we do to the Endowment, evaluating the returns available in capital markets through the Strategic Portfolio return and the Implementation Value Added through UBC Investment Management’s active implementation of the Strategic Portfolio.

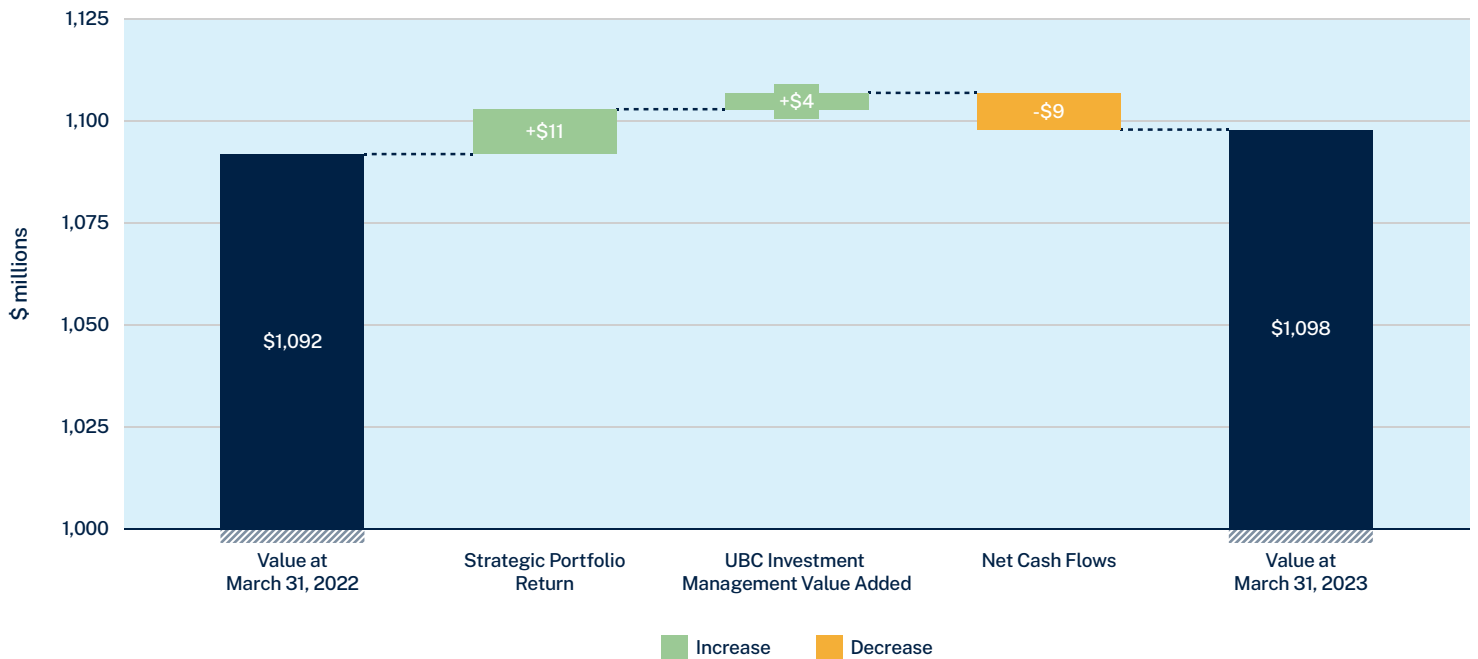
For the one-year period ended March 31, 2023, the SPP Strategic Portfolio generated a return of –5.5%, principally driven by the Strategic Portfolio’s material allocation to long-maturity fixed income assets as well as the fund’s currency hedging activities. Offsetting the negative Strategic Portfolio return, the effect of active implementation was strongly positive over the same period, with an Implementation Value Added of 6.4%. While the Plan’s Fixed Income, Equity and Real Asset Programs each contributed positively to the Investment Portfolio’s relative return above the Strategic Portfolio, the Real Assets Program accounted for the largest share of the total value added.

Working Capital Fund

\$1.1 billion assets under management

The working capital assets of the university grew slightly over the one-year period ending March 31, 2023. The investment returns contributed positively to fund growth over the year, partially offset by a net draw of capital out of the fund for the university’s operations.

UBC Working Capital Fund  
Change in value FY22–23



The Working Capital Fund is a highly liquid portfolio of money market assets and short-duration traditional public bonds and mortgage strategies, reflecting the fund's investment policy liquidity risk constraints. Accordingly, the Strategic Portfolio consists of 15% government treasury bills and 85% short-term bonds. The Investment Portfolio weights fluctuate as tuition and grants are received, and then operating costs are drawn.

In FY22-23, the Working Capital Fund returned 1.4%, outpacing the Strategic Portfolio return of 1.0%.

Investments in liquidity assets began contributing more strongly to the total fund return over the past year as the central bank policy rate increased quickly and benefited short-term money market instrument returns. Public bonds and mortgages also delivered positive returns over one year, but because they have modest interest rate sensitivity, their total returns faced headwinds from higher market interest rates. The Investment Portfolio generated returns of 1.9% over five years and 1.6% over a 10-year period, for 0.5% and 0.4% value added on an annualized basis, respectively, above the Strategic Portfolio benchmark.

Table 9

Asset Mix – Working Capital Fund (at March 31, 2023)

Investment Program	Strategic Portfolio Target Weight	Investment Portfolio
<b>Fixed Income</b>	<b>42.5%</b>	<b>41.5%</b>
Liquidity Assets	15.0%	19.0%
Public Fixed Income	85.0%	54.6%
Private Fixed Income	–	26.4%

Table 10

Performance Analysis – Working Capital Fund (at March 31, 2023)

	1 Year	5 Years	10 Years
Investment Portfolio Return*	1.4%	1.9%	1.6%
Strategic Portfolio Benchmark†	1.0%	1.3%	1.3%
Value Added	0.4%	0.5%	0.4%

\*Returns are reported net of external investment management fees and are annualized for periods greater than one year.

†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.

## Other Funds under Management

## \$263 million in aggregate assets

UBC Investment Management also oversees the investments of a number of smaller capital pools for the university. Some of these pools are managed passively against public benchmarks; others are managed under specific investment restrictions. At March 31, 2023, the aggregate assets of these capital pools were \$263 million.

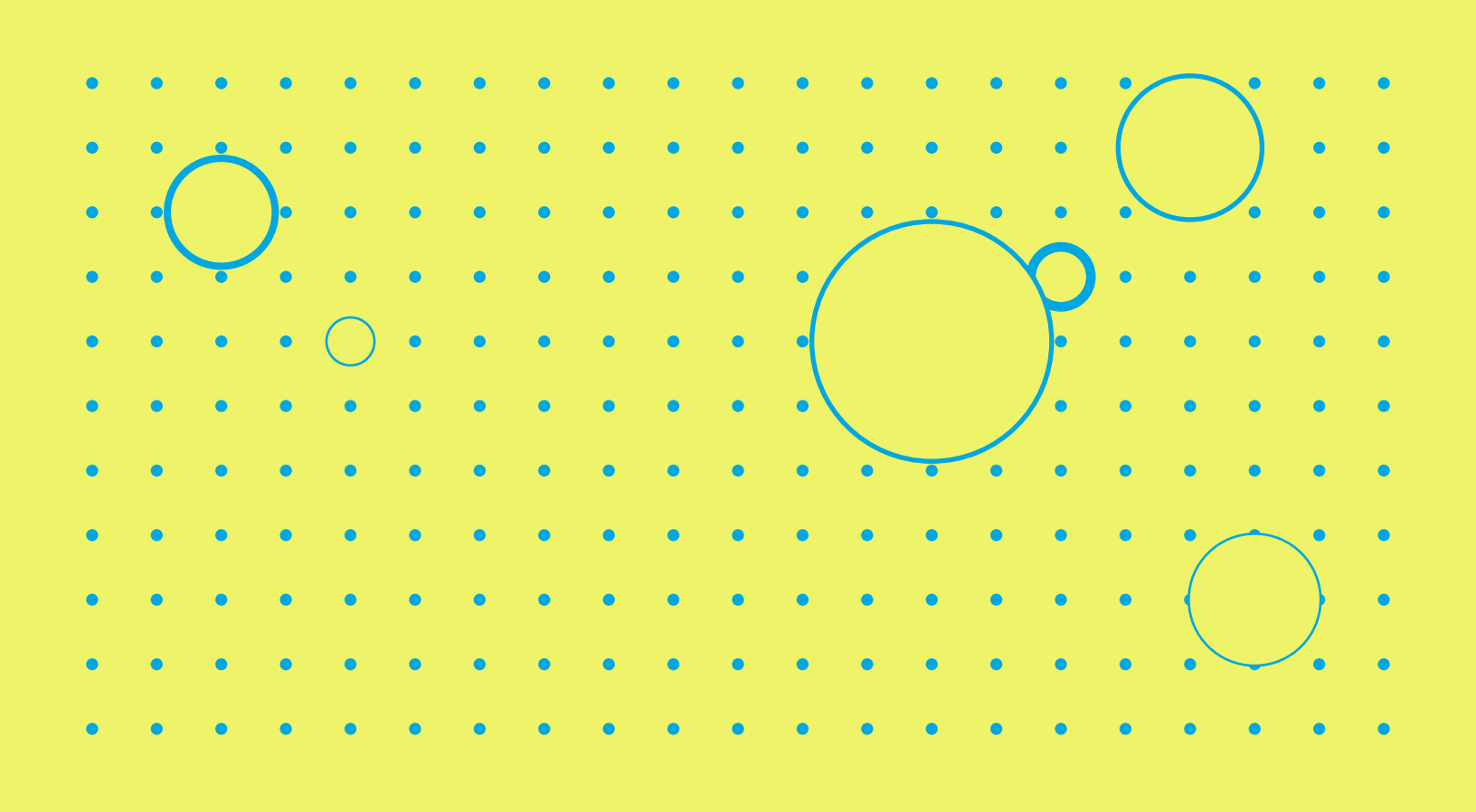
Table 11

## Performance Analysis (at March 31, 2023)

	1 Year	5 Years	10 Years
<b>Pools Managed Passively</b>			
<b>Supplementary Arrangement (\$118.5 million)</b>			
Investment Portfolio Return*	-2.9%	5.1%	6.5%
Policy Benchmark	-2.6%	5.2%	6.6%
Value Added	-0.2%	-0.1%	-0.1%
<b>Endowments with Investment Restrictions</b>			
<b>Peter Wall Legacy Fund (\$94.0 million)<sup>†</sup></b>			
<b>Vancouver Foundation (\$46.6 million)</b>			
Investment Portfolio Return*	1.6%	6.5%	7.9%
Policy Benchmark	0.6%	6.5%	7.4%
Value Added	1.0%	0.0%	0.5%
<b>Merilees Chair – Jarislowski Fraser (\$3.7 million)</b>			
Investment Portfolio Return*	2.7%	5.7%	7.5%
Policy Benchmark	-0.4%	5.3%	6.5%
Value Added	3.1%	0.4%	1.0%

\*Returns are reported net of external investment management fees and are annualized for periods greater than one year.

<sup>†</sup>UBC Investment Management assumed management of the Peter Wall Legacy Fund (formerly held at the UBC Foundation) in November 2022. The Fund does not yet have a 1-year period return.



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# Financial Statements

# Independent Auditors’ Report

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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 2023, 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 2023, and the results of its 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.

## Independent Auditors' Report (cont'd)

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### 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:

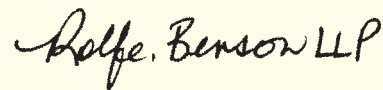
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

## Independent Auditors' Report (cont'd)

- 
- 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.

Vancouver, Canada  
22 June 2023



CHARTERED PROFESSIONAL ACCOUNTANTS

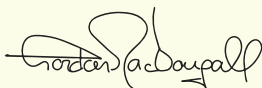
# Balance Sheet

31 March 2023

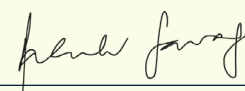
	2023	2022
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 190,507	\$ 1,117,788
Short term investments	2,260,644	-
Accounts receivable (Note 9)	8,500	41,228
Prepaid expenses	130,932	97,852
	<b>2,590,583</b>	<b>1,256,868</b>
Equipment and leasehold improvements (Note 3)	253,039	38,244
Intangible assets (Note 4)	24,570	-
Security deposit	5,350	5,350
	<b>\$ 2,873,542</b>	<b>\$ 1,300,462</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 5 and 9)	\$ 1,132,268	\$ 1,037,963
Advances payable (Notes 6 and 9)	1,709,002	300,000
	<b>2,841,270</b>	<b>1,337,963</b>
<b>Commitments (Note 8)</b>		
<b>Shareholder's Equity (Deficit)</b>		
Share capital (Note 10)	100	100
Retained earnings (deficit)	32,172	(37,601)
	<b>32,272</b>	<b>(37,501)</b>
	<b>\$ 2,873,542</b>	<b>\$ 1,300,462</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 2023

	2023		2022	
Balance - beginning of year	\$	(37,601)	\$	3,961
Net earnings (loss) for the year		69,773		(41,562)
Balance - end of year	\$	32,172	\$	(37,601)

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

# Statement of Earnings

For the year ended 31 March 2023

	2023	2022
<b>Revenue</b>		
Portfolio management fees (Note 9)	\$ 4,024,905	\$ 3,781,499
Other revenue	39,176	167
	<b>4,064,081</b>	<b>3,781,666</b>
<b>Expenses (Note 9)</b>		
Salaries and related benefits	2,830,787	2,530,179
Computer support and licenses	301,380	236,515
Legal	204,020	429,087
Office lease	196,398	128,750
Directors fees and expenses	179,950	184,069
Office	72,407	72,745
Consulting and research	50,589	124,202
Travel	35,243	15,994
Audit and accounting	29,840	21,693
Dues and memberships	24,253	22,818
Telephone	15,571	10,239
Advertising and promotion	6,101	1,669
Insurance	6,000	6,000
Bank charges and interest	3,228	3,007
Executive search	-	25,000
Amortization of equipment and leasehold improvements	35,811	11,261
Amortization of intangible assets	2,730	-
	<b>3,994,308</b>	<b>3,823,228</b>
<b>Net earnings (loss) for the year</b>	<b>\$ 69,773</b>	<b>\$ (41,562)</b>

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

# Statement of Cash Flows

For the year ended 31 March 2023

	2023	2022
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net earnings (loss) for the year	\$ 69,773	\$ (41,562)
Items not involving cash		
Amortization of equipment and leasehold improvements	35,811	11,261
Amortization of intangible assets	2,730	-
Amortization of deferred lease inducement	-	(2,265)
	<b>108,314</b>	<b>(32,566)</b>
Changes in non-cash working capital balances		
Short term investments	(2,260,644)	-
Accounts receivable	32,728	(6,125)
Prepaid expenses	(33,080)	(18,093)
Accounts payable and accrued liabilities	94,305	91,587
Advances payable	1,409,002	300,000
	<b>(649,375)</b>	<b>334,803</b>
<b>Investing activities</b>		
Purchase of equipment and leasehold improvements	(250,606)	(20,141)
Purchase of intangible assets	(27,300)	-
	<b>(277,906)</b>	<b>(20,141)</b>
<b>Net increase (decrease) in cash</b>	<b>(927,281)</b>	<b>314,662</b>
<b>Cash - beginning of year</b>	<b>1,117,788</b>	<b>803,126</b>
<b>Cash - end of year</b>	<b>\$ 190,507</b>	<b>\$ 1,117,788</b>

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

# Notes to the Financial Statements

For the year ended 31 March 2023

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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, short-term investments, accounts receivable and security deposits.

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

(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 2023

(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) Intangible assets

Intangible assets are recorded at cost and are being amortized over their estimated useful lives on the following basis:

Website	5 years Straight-line
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# Notes to the Financial Statements

For the year ended 31 March 2023

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(f) 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.

(g) 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.

(h) 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 intangible asset 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.

# Notes to the Financial Statements

For the year ended 31 March 2023

## 3. Equipment and leasehold improvements

	Cost	Accumulated Amortization	2023 Net	2022 Net
Furniture and fixtures	\$ 154,368	\$ 104,437	\$ 49,931	\$ 5,825
Computer equipment	148,483	100,253	48,230	28,904
Computer software	1,516	1,127	389	-
Leasehold improvements	250,594	96,105	154,489	3,515
	\$ 554,961	\$ 301,922	\$ 253,039	\$ 38,244

## 4. Intangible assets

	Cost	Accumulated Amortization	2023 Net	2022 Net
Website	\$ 27,300	\$ 2,730	\$ 24,570	-

## 5. Accounts payable and accrued liabilities

	2023	2022
Accounts payable and accrued liabilities (Note 9)	\$ 1,076,058	\$ 1,001,985
GST payable	56,210	35,976
	\$ 1,132,268	\$ 1,037,963

## 6. Advances payable

The advances payable to UBC are non-interest bearing and have no specific terms of repayment.

# Notes to the Financial Statements

For the year ended 31 March 2023

## 7. Deferred lease inducement

The Company expanded its office space during the year and incurred \$166,590 in capital expenditures for leasehold improvements. As at 31 March 2023, no lease inducements have been granted to the Company. However, management is of the opinion that the Company will receive lease inducements of \$54,792 plus GST in the subsequent fiscal year. These amounts will be recorded as a deferred lease inducement and will be amortized as a reduction of rent expense on a straight-line basis over the term of the agreement.

## 8. Commitments

The Company has operating leases for office premises which expires November 2026 and software agreements which expire March 2026. The minimum annual lease payments are as follows:

2024	\$	238,716
2025		245,731
2026		253,760
2027		81,173

## 9. Shareholder transactions

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

	2023		2022	
Portfolio management fees	\$	4,024,905	\$	3,781,499
Operating expenses	\$	18,775	\$	16,500
Advances payable	\$	1,520,000	\$	300,000

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.

# Notes to the Financial Statements

For the year ended 31 March 2023

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

		2023		2022
UBC	\$	8,400	\$	41,128

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

		2023		2022
UBC	\$	-	\$	10,500

## 10. Share capital

Authorized

100,000 common shares without par value

Issued

		2023		2022
100 common shares	\$	100	\$	100

## 11. 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 2023.

(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.

# Notes to the Financial Statements

For the year ended 31 March 2023

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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, short-term investments, and accounts receivable. Cash is in place with a major financial institution. Short-term investments are held at a major financial institution and with the Province of BC. 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. There has been no change to this risk exposure from the prior year.

## 12. Non-capital losses

The Company has a non-capital loss carried forward of \$50,155 which is available to reduce the taxable income of future years. If not utilized, this non-capital loss will expire in 2042.



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# UBC Investment Management Board of Directors and Professional Team

# UBC Investment Management 2022–2023 Board of Directors

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**Gordon MacDougall, CFA**

Board Chair and  
Corporate Director

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**Tom Bradley**

Corporate Director  
Chair and Co-Founder of Steadyhand  
Investment Funds

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**Amanda Farrell**

Corporate Director  
Chief Executive Officer,  
Transportation Investment Corporation

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**Alison Gould**

Corporate Director  
Chief Investment Officer  
Saskatchewan Teachers' Federation

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**Hyewon Kong, CFA**

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

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**Frank Laezza**

UBC Vice President Finance  
and Operations

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**Azim Lalani, CPA, CA**

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

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**Yale Loh, CPA, CMA, CFA**

UBC Treasurer

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**Rakesh Saraf, CFA**

Corporate Director

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# UBC Investment Management Professional Team

**Dawn Jia, CFA**

President and Chief Executive Officer

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

Senior Portfolio Manager

**Graham Sheppard, CFA**

Associate Director

**Sharon Siu, CFA, CAIA**

Associate Director

**Josh Kruse, CFA, CAIA**

Associate Director

**Jasper Deasey, CFA**

Junior Investment Analyst

**Ruben de Koning, CFA**

Senior Operations Analyst

**Canace Xu**

Junior Operations Analyst

**Maryam Baghbani**

Office Coordinator

**Advisors and Service Providers**

**Auditor**

Rolfe, Benson LLP Chartered  
Professional Accountants

**Custodians/Administrators**

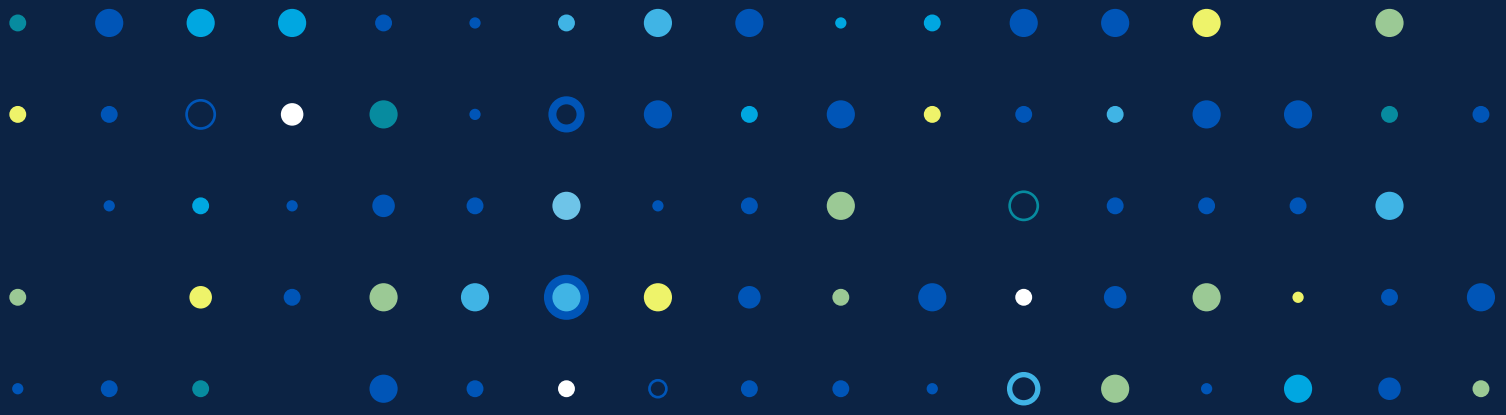
Northern Trust  
Sun Life Financial

**Legal Counsel**

Norton Rose Fulbright Canada LLP  
Lawson Lundell LLP

**Performance Measurement  
Consultant**

Northern Trust



UBC Investment Management Trust Inc.

1055 West Hastings Street, Suite 1188  
Vancouver, BC, Canada  
V6E 2E9

Tel: +1 (604) 681-7858

[www.ubcim.ca](http://www.ubcim.ca)