

# INVESTING IN A STRONGER UBC



Over the past 10 years, UBC Investment Management's prudent and disciplined management of the university's Endowment supported distributions of more than \$810 million. Over the same period, more than \$540 million in pensions were paid to UBC retirees. We invest to build a stronger UBC – helping to secure its place as one of the leading research and teaching institutions in the world – while providing safe, stable retirements for the people who shaped, and continue to shape, the university we are proud to support.

# TABLE OF CONTENTS

|                                                         |                                            |                                            |
|---------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>MESSAGE FROM<br/>THE CHAIR</b><br><br>01             | <b>MESSAGE FROM<br/>THE CEO</b><br><br>03  | <b>INVESTMENT<br/>HIGHLIGHTS</b><br><br>05 |
| <b>UBC INVESTMENT<br/>MANAGEMENT OVERVIEW</b><br><br>06 | <b>RESPONSIBLE<br/>INVESTING</b><br><br>11 | <b>INVESTMENT<br/>STRATEGY</b><br><br>18   |
| <b>INVESTMENT<br/>PROCESS</b><br><br>24                 | <b>INVESTMENT<br/>REVIEW</b><br><br>33     | <b>FINANCIAL<br/>STATEMENTS</b><br><br>51  |
| <b>BOARD OF<br/>DIRECTORS</b><br><br>67                 |                                            |                                            |

# COMMITMENT FOR THE FUTURE



**This marks my first annual report message to stakeholders** in my role as Chair of UBC Investment Management's (UBCIM) Board of Directors.

My relationship with UBC dates back to 1988 when I started my journey as an undergraduate student. And UBC has been part of my life since.

My time spent with UBC's Board of Governors and on the UBCIM Board has been driven by a desire to give back to the university, a strong sense of community and significant responsibility to leave the university in a better place for the generations of students, faculty, researchers and staff that follow.

At UBCIM, our role is one of custodianship, as we are entrusted with responsibly managing assets vital to UBC's future and the retirement pension security of its staff members. For the UBC Endowment, our primary focus has been on maintaining intergenerational equity and managing the investment portfolio with a long-term focus.

This long-term outlook influences the types of investments that are made and the return profile of the fund – to support

UBC's key strategic initiatives. These investments often involve multi-year commitments that over time generate significant, consistent distributions to the university.

During my tenure on the UBC Board of Governors and UBCIM Board, these distributions have helped fund more than \$600 million in technology enhancements, including critical investments in the student information system and the HR and finance enterprise resource planning implementation, and created much-needed student housing, as well as building campus infrastructure at both the Point Grey and Okanagan campuses. UBCIM's success is critical to helping UBC achieve its longer-term strategic objectives.

For the UBC Staff Pension Plan, we have a fiduciary responsibility centred on ensuring plan members receive their regular pension distributions in planning for their retirement; and, of critical importance, protecting the purchasing power of their pension income. The investment thesis is slightly different than the Endowment's, but the objective is the same – to manage the funds in such a way as to provide as much certainty as possible to plan for the future.

I am pleased to say this past year illustrates the success of our approach. We saw significant growth in assets under management, increasing by approximately \$750 million, or 12 per cent, to \$6.9 billion, with the majority of the increase coming from investment returns. This investment performance, driven by diversification across various asset classes in public and private markets coupled with active management, has allowed us to provide stable distributions to the funds we manage despite global volatility and recent market challenges.

This past year also marked year one of a new five-year strategic plan approved by the UBCIM Board in late 2023.

A core focus of the strategy is building the organization's resilience and maturity through strategic investments in people, process and technology. This multi-year journey will allow us to strengthen our investment and operational capacity, build a robust management team and ensure we utilize industry-leading technology to become a centre of excellence for investment management.

Looking ahead, a key objective for FY25-26 will be an update of the firm's Responsible Investing Strategy, including the challenging but critical work in advancing the integration of human rights and other social factors within our investment framework. This will build on the track record of meaningfully reducing the carbon emissions footprint of our investments by 42% at the Staff Pension Plan and 57% in the Endowment since 2019. We recognize the importance of engaging with the university and other key stakeholders, including donors, students, faculty, and government, particularly during times of external pressure, to review our diversified portfolio, investment objectives and the profile of certain investments.

As always, the management team benefits from the significant expertise and diverse perspectives of my fellow UBCIM Board members. Our board includes independent directors who are among the leading institutional investment

and governance professionals in Canada. In addition, the UBCIM Board also includes representatives from the UBC administration, the UBC Board of Governors and UBC Staff Pension Plan. This diverse expertise, complemented by strong governance, management and ESG knowledge, supports our team in navigating complex markets and making informed decisions.

I want to welcome our new board member, Mr. Naveen Kapahi, who is currently the Chair of the UBC Staff Pension Plan Board and who brings significant pension and benefit plan experience to our team. I also want to acknowledge our outgoing Chair, Mr. Gordon MacDougall, for his years of service in support of UBCIM.

Finally, I wish to thank each member of the UBCIM team for their hard work and dedication to UBCIM's stewardship of the university's investments. The UBCIM team continues to operate at the highest level, while putting the strategic pillars in place for sustainable performance and ongoing success into the future.

Sincerely,

**Azim Lalani**

Chair, UBC Investment Management Board of Directors

# INVESTING IN A STRONGER UBC



## Last fall, I was in the audience at UBC's Fall 2024

Convocation and the installation of Judy Rogers as UBC's 20th Chancellor. As I watched the graduates walk across the stage to receive their diplomas, I thought about the depth and breadth of the teaching, research and scholarship made possible by the funds we manage at UBC Investment Management, as well as the secure retirements we help to protect and preserve. It was a welcome reminder that not only are we building a stronger UBC, UBCIM is helping to build stronger communities and a stronger Canada.

Looking back on our past fiscal year, significant macroeconomic and geopolitical forces continued to shape the investment landscape and our work on behalf of the funds we manage. We witnessed considerable market volatility, coupled with policy uncertainties, as the markets grappled with lingering high inflation and negative pressures on global free trade.

The threat of rising protectionism and shifts away from free trade, potentially coupled with relatively higher inflation compared to the previous cycle, has the real potential to limit global economic growth, in a particularly challenging scenario for institutional investors like UBCIM. Navigating this environment will require close monitoring of evolving

conditions over the next few years and may lead us to adjust our positioning and growth expectations for the portfolio.

Despite these external dynamics, the funds we manage on behalf of UBC and the UBC Staff Pension Plan delivered strong results. UBC's Main Endowment Pool generated returns of 13.9% over the past year and an annualized 11.1% over five years. These outcomes significantly exceeded both the fund's spending requirements and the inflation rate while adding substantial value beyond the Reference Portfolio benchmark. The Staff Pension Plan similarly demonstrated robust performance according to its chosen risk tolerance, delivering nearly 10% in returns last year and maintaining a solid 7.5% annualized return over the five-year period.

Since 2020, our team has spent considerable effort revamping our investment programs, and these strong results across our diversified portfolios validate that effort. Our private market programs have proven particularly resilient during periods of public market volatility, reflecting the breadth of opportunities available in private markets and our disciplined approach to capital deployment alongside our investment partners. These outcomes directly support our fundamental objective: delivering reliable, consistent distributions to fund beneficiaries while maintaining long-term portfolio sustainability.

## Evolving Our Strategy

In the past year, we began implementing a new five-year strategic plan. Our previous strategic plan laid the foundation for UBCIM to become a leading investment management firm. Building on that groundwork – with the enabling functions and teams now in place – the new plan further strengthens our ability to deliver long-term value.

A major accomplishment this year, in support of the new strategy, was expanding the capacity of our Investment

Operations team. The team – an integral part of the investment process – draws on a suite of systems, technology and tools to support our portfolio managers and enable them to perform at the highest level. Investment Operations does the technical work of implementing trades, gathering data, calculating performance, conducting analytics, and managing capital flows. The crucial work done by this team lets portfolio managers focus their expertise on areas like manager selection and market analysis, enabling UBCIM to work smarter and fully realize the best investment ideas on behalf of the funds we manage.

In FY24-25, we also made great progress in advancing our internal People strategy. In the investment industry, people are our most valuable assets – they are the engine that generates, verifies, implements, and monitors investment ideas to produce returns. And in this industry, people have many options of where to work and who to work for. Vancouver is a relatively small player in the national and global financial management sector. Therefore, UBCIM must establish a compelling value proposition for potential employees, while creating a culture that attracts and retains the top talent we need to deliver on our commitments. This past year, the team developed a tagline – “Every great investment begins with you” – to reflect our focus on developing and supporting our people in all facets of their careers with UBCIM.

### **Responsible Investing in Focus**

We recognize the external shifts that have occurred over the past year in relation to responsible investing, with some institutions retreating from previous ESG commitments. However, UBC Investment Management has the benefit and responsibility of serving the broader UBC community, and we recognize the leadership role UBC plays in addressing the existential threat of climate change through sustainable business practices, as well as the priority the university places on advancing social factor considerations.

With this in mind, UBCIM has not changed and will not change our ongoing and well-established strategic direction: we fully integrate ESG considerations within our investment process. Responsible investing is not an afterthought at UBCIM; it is a core component of our approach and will remain so.

We developed our most recent Responsible Investing Strategy five years ago. Since then, the world has evolved, and we have achieved many of our initial goals. In FY24-25, we began updating our strategy. The new plan will better reflect the current environment and make our responsible investing efforts over the next five years even more focused and relevant. This strategy will also extend our focus on social considerations, as we work with the university to develop a social factors (including human rights) framework informing our investment approach.

I want to recognize the work and commitment of the UBCIM team over the past year. We added new people to help us better serve the funds we manage, and I am thankful for each person’s dedication and commitment to the firm. I also want to thank our Board Chair, Azim Lalani, for his support to me and my team, and his years of continued service to the broader UBC community. Lastly, a warm welcome to our new Board members: Byron Thom, representing the UBC Board of Governors; and UBC SPP Board Chair Naveen Kapahi.

Given the daily demands of managing the portfolios and delivering on our business plan, it would be easy to focus our attention inward and lose sight of our broader purpose. But as I was reminded at Convocation, our work is about much more than numbers and returns. UBCIM is here to support UBC and all the university’s goals, not only the financial ones. It’s work we are proud to do.

**Dawn Jia, CFA**

President and Chief Executive Officer

# INVESTMENT HIGHLIGHTS

AS OF MARCH 31, 2025

## UBC ENDOWMENT — MAIN ENDOWMENT POOL

5-year return

11.1%

10-year return

7.9%

10-year total distributions

\$811 million

## UBC STAFF PENSION PLAN

5-year return

7.5%

10-year return

6.1%

10-year total distributions

\$542 million

## UBC INVESTMENT MANAGEMENT ASSETS UNDER MANAGEMENT

\$6.9 billion

Increase in assets under management (one year)

\$751 million

Investment returns (one year)

\$652 million



# OVERVIEW



## UBC INVESTMENT MANAGEMENT

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

# 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 track records, 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 financial objectives, 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 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 19,000 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 held for capital projects. The fund is invested with a focus on capital preservation and liquidity objectives and has investments in liquidity assets as well as public and private assets that have a higher liquidity profile at the total portfolio level.

# OUR CORE BELIEFS

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

## Purpose

To sustain and uplift the future of higher education in British Columbia through our commitments to investment and service excellence.

## 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 constructing strong investment programs and 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

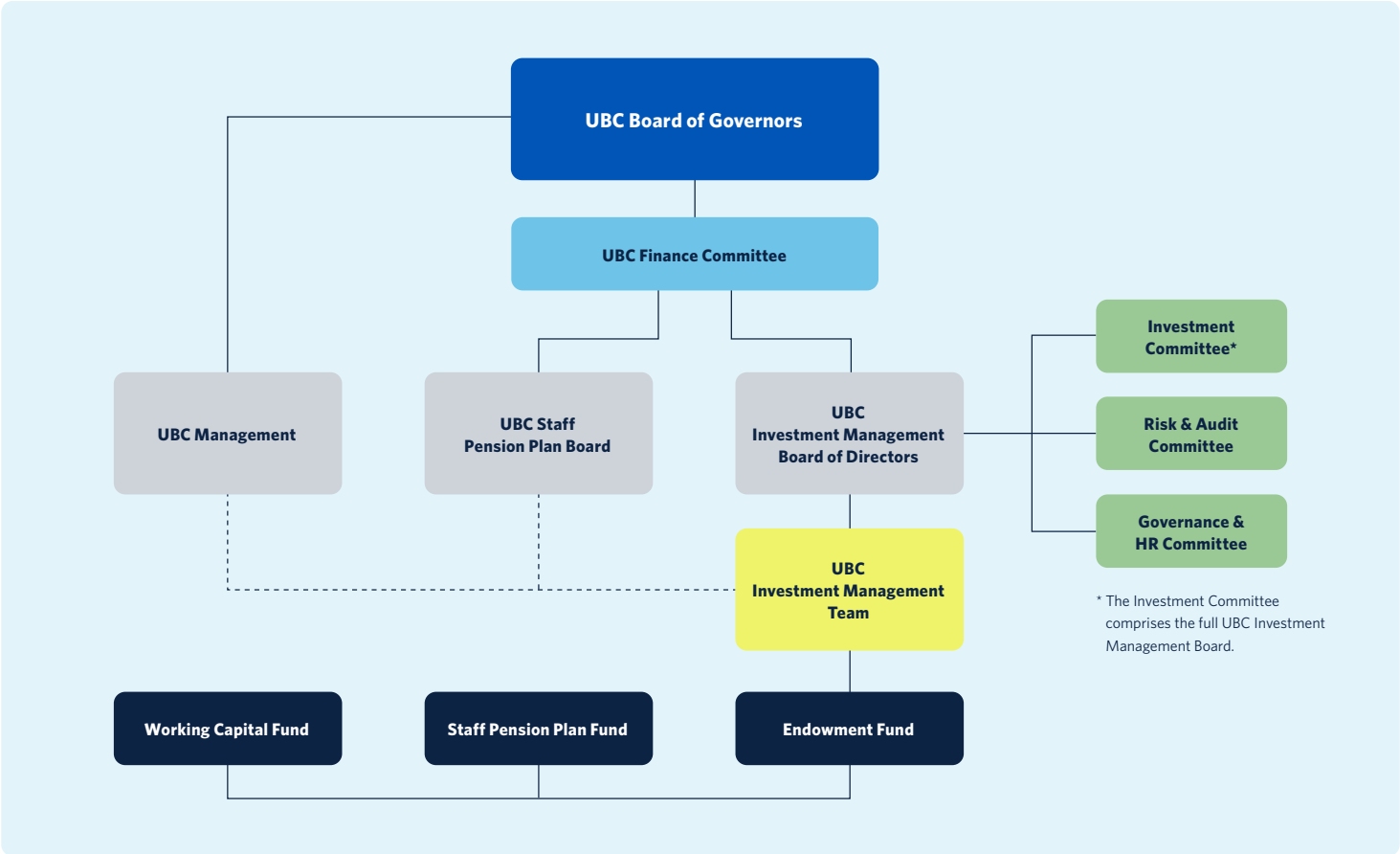
- We seek to continuously adopt more agile, efficient structures and processes to enhance our competitive advantage.
- We steadily acquire additional knowledge, techniques and insights to refine our investment approach in changing market conditions and landscape.

### 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 investment and operations 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 ten** directors appointed by UBC's Board of Governors. Four 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 UBCIM. 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 UBCIM 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.

UBCIM 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.

UBCIM works 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 UBCIM 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 UBCIM and the plan's own investment and pension consultants – and that policy is then recommended to the UBC Board of Governors for approval.

The UBCIM team is responsible for implementing the Strategic Portfolio asset mix for each fund, 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 26.)



# RESPONSIBLE INVESTING



## OUR COMMITMENT TO RESPONSIBLE INVESTING

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

**In FY24-25, 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 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. We recognize that responsible investment is not always easy – the additional transparency, monitoring complexity and explicit costs are real. UBCIM continues to be guided by the university's deep history and commitment to evolving priorities in responsible investment. As well, we understand our obligation to incorporate risk considerations – including ESG risks – to the investments we make on behalf of the funds we manage.

Because UBCIM is a manager of managers, implementing our responsible investing strategy through external investment 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 have quarterly meetings with managers and evaluate them formally on an annual basis 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 peers, 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



# 2024-25 RESPONSIBLE INVESTING HIGHLIGHTS



## Enhancing Data Analytics on Human Rights and Social Performance

UBC Investment Management has incorporated more than 20 social and governance metrics into our monitoring dashboard, a tool that aggregates key ESG indicators across our public market exposures to highlight potential risks related to non-climate factors, and support engagement with our managers. This data helps us evaluate many factors – including human rights controversies, labour standards, supply chain scores, and workforce and board diversity – in alignment with UBC’s areas of focus outlined in its Statements on Responsible Investing.

We’ve also been using these metrics actively in our monitoring and engagement with investment managers. Using data analytics, our team is able to map social and governance metrics to portfolio exposures to understand, for example, where human rights controversies may develop and how our manager portfolios compare with broader benchmarks. We also assess managers’ holdings against social risk factors we identify as priorities in manager engagements.



## 2024 PRI Reporting

While standardized reporting has been an ongoing challenge within responsible investing practices, PRI principles and reporting tools provide a widely accepted framework. As a PRI signatory since 2020, UBC Investment Management uses these principles to guide our annual reporting to our stakeholders. Responsible investing practices and reporting expectations have experienced rapid enhancements over the last five years, including within the PRI reporting framework. In 2024, PRI’s reporting framework was kept substantially similar year-over-year. PRI gave signatories that reported in the prior year the option of carrying over reported practices. UBC Investment Management provided updated leadership statements as a signal of our strong commitment to PRI. We will continue to be a signatory to PRI on behalf of UBC and the UBC Staff Pension Plan, and we remain committed to implementing its six principles as we advance our Responsible Investing Strategy and activities.



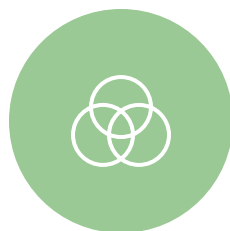
## 2024 Manager ESG Assessments

The UBCIM investment team conducts annual reviews of each approved manager's performance related to responsible investing, using our in-house manager-assessment framework. In 2024, we reviewed 45 managers.

Through our evaluations, we monitor portfolio risks and identify opportunities to engage with our managers to strengthen their ESG integration and improve their active ownership approach. We also track the responsible investing progress managers have made since our initial investment. Our assessment methodology is not a checklist or compliance activity but is a foundational element of our due diligence process. It leverages both quantitative information and qualitative evidence to objectively evaluate the relative importance of ESG factors to each asset class and strategy with each manager.

In addition to developing our monitoring dashboard to help evaluate ESG considerations, UBCIM conducted a Human Rights Integration Baseline assessment using PRI's framework to identify and assess human rights risks. The results were reassuring, confirming that our managers have robust ESG integration practices and a thoughtful lens of how human rights risks may affect their investment decisions, and a strong commitment to mitigating these risks in their strategies when and where they emerge.

We acknowledge there are material data gaps in tracking human rights-related risks, particularly in private markets. Our managers are using third-party data platforms to address these gaps, and we anticipate improved data quality over time to better capture these emerging risks.



## Responsible Investing Strategy Update

UBC Investment Management's Responsible Investing Strategy was last updated in 2020. It was designed to holistically consider environmental, social and governance factors as core to the financial performance of UBC's investment portfolio, consistent with our obligations. We have been reporting on our progress annually and continue to make advancements in each area of the strategy.

Given the changing landscape within responsible investing practices, we have started the process of updating this strategy. While climate risk was the primary focus of the 2020 strategy, largely due to stronger and more readily available data, the next iteration of our strategy will bring social and governance risk considerations forward, with an increasing focus on human rights risk considerations. As part of our strategy update, UBC has directed UBCIM to further advance our work in identifying and managing social risks in our managed portfolios, particularly around human rights risk. Our next annual report will provide details on the strategy update.

# CLIMATE-RELATED RESULTS

**In establishing the climate metrics we use to monitor the funds we manage,** UBC Investment Management considers two primary measures: total carbon emissions\*, defined as greenhouse gas emissions per \$1 million invested; and carbon intensity, defined as greenhouse gas emissions per \$1 million of sales. These definitions are aligned with the Partnership for Carbon Accounting Financials methodology, as provided in *The Global GHG Accounting and Reporting Standard for the Financial Industry*.

For publicly traded portfolio exposures, the PCAF methodology relies on the same company-reported emissions data that UBCIM has used since we began reporting carbon metrics with our 2020 Carbon Footprint Report. In early reports, we measured the portfolio's share of a company's emissions based on the market capitalization of equity. The PCAF standard considers a portfolio's share of a company's

emissions based on the market capitalization of both its equity and debt (i.e., enterprise value including cash, or EVIC); we now use this methodology. Our carbon emissions calculations for the period ended December 31, 2024, include public equity and corporate bond exposures.

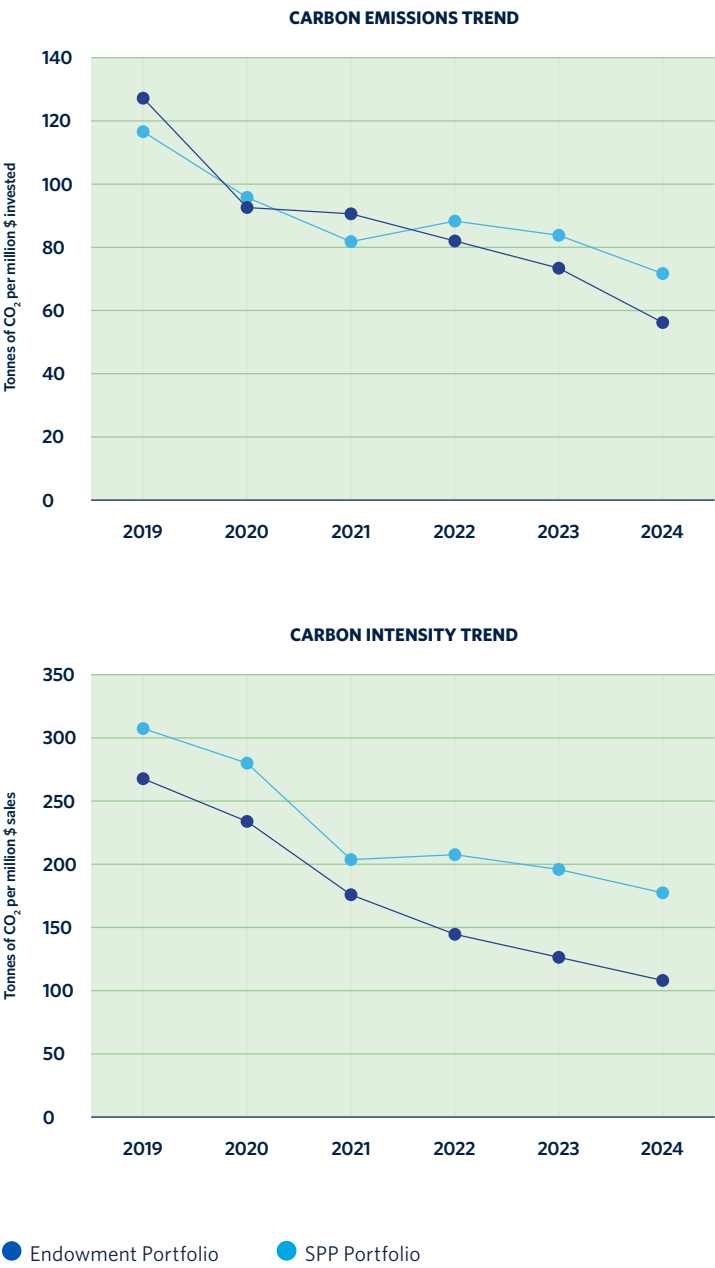
Climate-related principles and targets are first approved by our internal partners at UBC and the UBC Staff Pension Plan Board. Once incorporated into policy, these commitments guide UBC Investment Management's actions, with responsibility for meeting them shared by the UBCIM Board and team.

In its updated Statements on Responsible Investing, the UBC Board of Governors approved two specific targets for UBC's Endowment Fund: to reduce the portfolio's carbon emissions footprint by 45% by 2030, compared to a 2019 baseline, and to fully divest from fossil fuel extracting companies by 2030.

\* The carbon emissions measure used is the total Scope 1 and 2 emissions (tonnes of carbon dioxide equivalent).

Through December 2024, the UBC Endowment Fund’s carbon emissions footprint was 57% below the baseline level set in 2019, considering Scope 1 and Scope 2 emissions, while the Fund’s carbon intensity was 60% below the baseline level. We are pleased to be in good position to meet UBC’s stated carbon reduction targets for the UBC Endowment Fund to reduce portfolio emissions by 45% by 2030. In addition, the Endowment Fund’s carbon intensity level was 40% lower than its benchmark at December 31, 2024.

The UBC Staff Pension Plan’s carbon footprint and intensity measures have decreased by 42% and 43%, respectively, over the same period. The portfolio’s carbon intensity was 25% below its benchmark.





# INVESTMENT STRATEGY



## INVESTING IN ORGANIZATIONAL STRENGTH

With the completion of our transformation initiative, we are now focused on building long-term resilience across core investment functions.

# OUR STRATEGY EVOLVES

**Building on the foundation established through our three-year transformation initiative**, we've launched a five-year strategic plan focused on deepening resilience and advancing excellence across our core investment functions: Investment Operations, Total Portfolio Management and Investment Manager Selection. These capabilities are central to our disciplined investment process and our commitment to deliver strong performance for stakeholders.

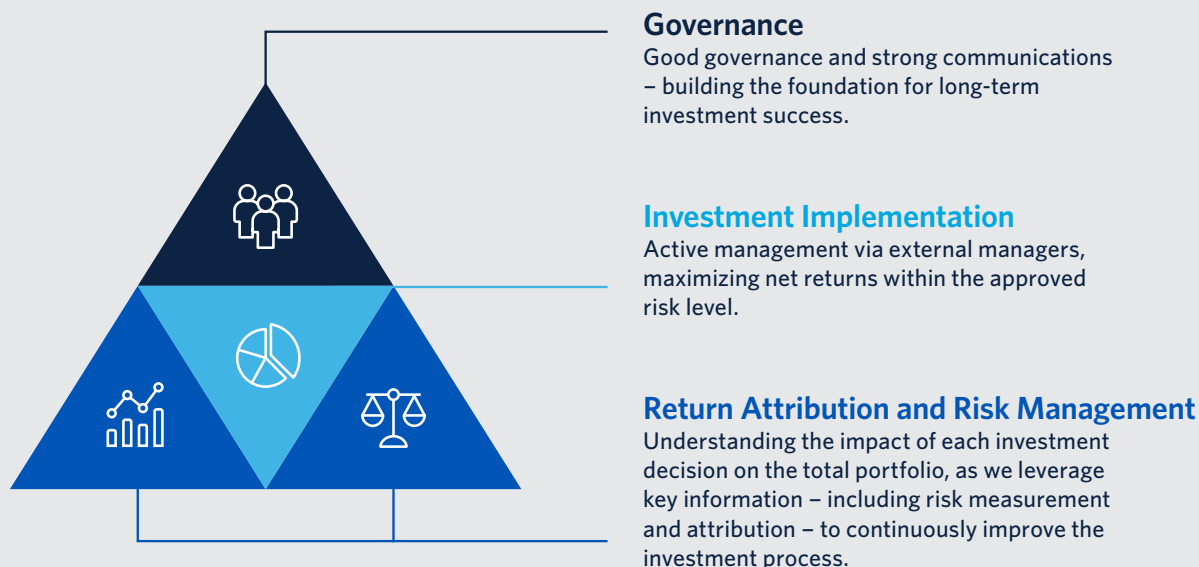
During our three-year transformation period, our key achievements included the establishment of UBCIM's investment framework, implementation of robust performance attribution and risk systems, and enhancements to investment management and business practices. Our new strategic direction focuses on expanding organizational capacity and enhancing capabilities across core pillars of our investment decision-making and execution processes. These are supported by two essential functional areas – Stakeholder Engagement and Corporate Services – focused on deepening client relationships and advancing our people and culture practices.

In the first year of our five-year plan, we prioritized talent acquisition and the advancement of a comprehensive People & Culture Strategy. This initiative aims to establish clear performance objectives and career development pathways, cultivate exceptional workplace practices and culture, and foster collaborative team dynamics that promote long-term retention. Our approach reflects the high standards we expect from our team and the conviction that organizational excellence translates into superior investment outcomes.

In FY24-25, we advanced our Investment Operations function with the appointment of a senior leader and the expansion of the team. These developments have clarified our long-term vision for this critical business area, enhanced operational metrics and reporting, and broadened analytical support for investment decision-making. At UBCIM, Investment Operations goes beyond traditional back-office functions – it is a fundamental component of our investment process, transforming data into valuable strategic insights that inform our investment decisions.

We are continuing to build on the success of our Investment Operations team development by expanding capacity in Total Portfolio Management and Investment Manager Selection. These enhancements position us to execute multi-year advancement plans that align our practices with leading institutional allocators. Concurrently, we are completing a comprehensive refresh of our Responsible Investing Strategy, strengthening our ability to identify, monitor and manage potential non-climate risks. These strategic developments – strengthening our structure, expanding capacity, and advancing responsible investing – reflect our commitment to continuous improvement and investment management excellence, all in service of the funds we manage and our stakeholders.

# 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 the 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
- portfolio construction, and 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

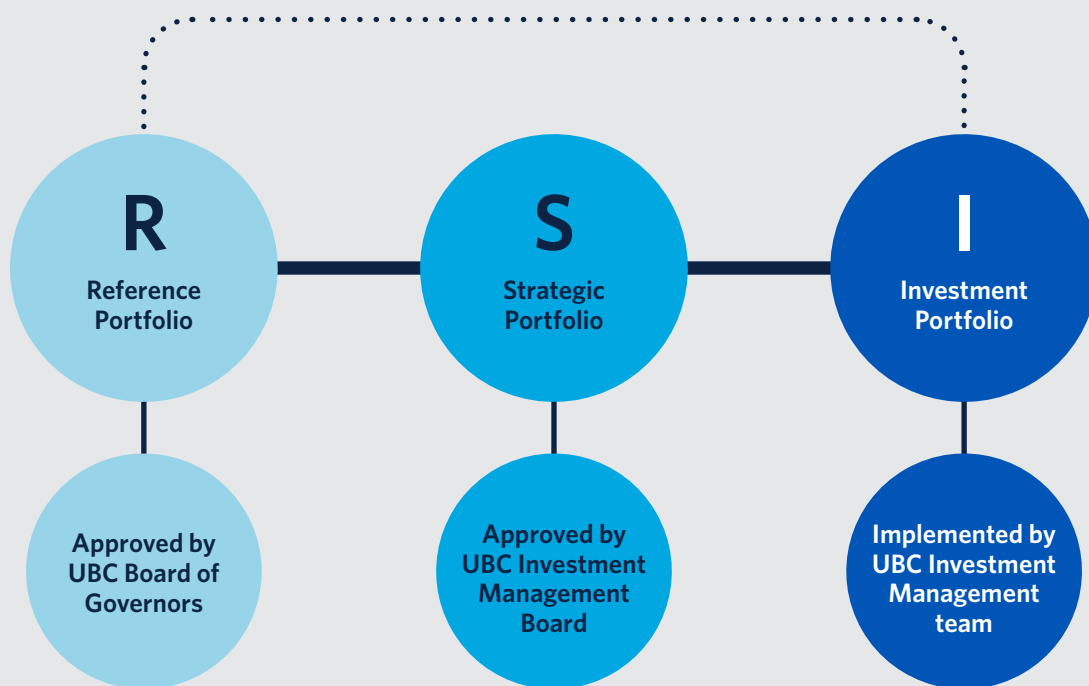
The Reference Portfolio is central to our investment framework. This set of public market assets is designed to meet a fund's long-term financial objectives and establishes a benchmark for the fund return and risk tolerance of UBC's investment portfolios. The Reference Portfolio is simple and cost-efficient, 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, representing the high-level asset allocation decisions that create a diversified asset mix for our portfolios. Assets must be readily investable (i.e., not privately held) and are predominantly managed passively, with returns driven by asset class performance and exposure to broader economic risks.

The third tier is the actual Investment Portfolio, which is actively managed to maximize net returns through ongoing decision-making, which includes selecting investment managers, diversifying strategies within asset classes, and moving between asset classes within specified ranges.

# APPLYING THE FRAMEWORK TO THE ENDOWMENT FUNDS



## ● Reference Portfolio

- designed to meet return objectives at a 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<br>(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>              |

The UBCIM team operates within our investment framework, which guides strategic decision-making across our investment portfolio. This framework encompasses active management considerations including portfolio construction, manager selection, active versus passive implementation, investment styles, foreign currency hedging and allocations to private market assets.

By making the Reference Portfolio foundational to all decision-making, the investment process is more transparent for all stakeholders. Across the three tiers of oversight there is a shared language for defining roles, ensuring accountability and direct linkages between specific decisions and measurable investment outcomes.

At the same time, the Reference Portfolio and the Strategic Portfolio share basic assumptions about long-term investment returns and are monitored under specific scenario analyses, including scenarios that consider the potential impacts of climate change under different pathways.

In 2021, the UBC Board of Governors approved a Reference Portfolio allocation of 70% Global Equity and 30% Canadian Fixed Income for the Main Endowment Pool. This strategic allocation is designed to sustainably support the Endowment's spending requirements while maintaining intergenerational equity over the long term.

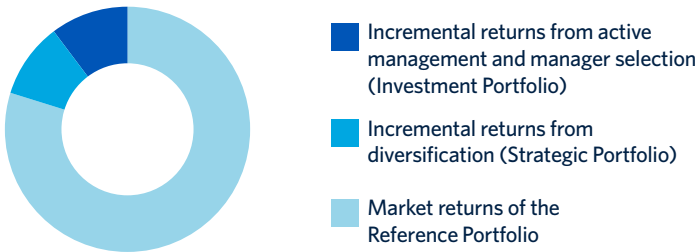
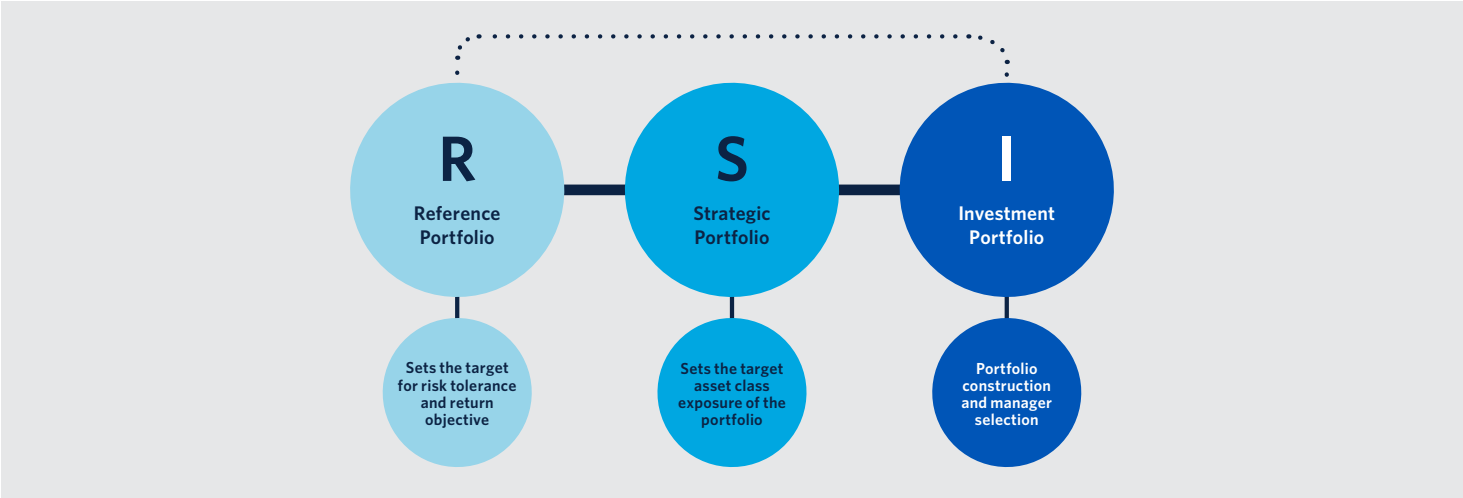


# INVESTMENT PROCESS



## HOW OUR FRAMEWORK DELIVERS VALUE

Designating three distinct tiers of oversight helps to clarify accountability and ensure returns meet long-term objectives.



Expected Contribution to Portfolio Returns

The Reference Portfolio serves as a yardstick for measuring risk and return in our funds and gauges roughly 80% of a portfolio’s total investment return. Through strategic diversification, thoughtful portfolio construction and investment implementation we strive to generate incremental return beyond the Reference Portfolio for the funds we manage.

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.

Three core competencies distinguish UBCIM in implementing the Strategic Portfolios for the funds we manage: our rigorous approach to selecting investment partners, our focus on top-down portfolio construction, and our continuous enhancement of investment process through detailed return and risk attribution analysis. Leveraging these combined strengths and our systems, we gain a deep understanding of our managed portfolios, along with the data-driven insights that continuously inform and enhance our investment decisions.

# CHOOSING THE RIGHT INVESTMENT PARTNERS

## Investment Implementation

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



**UBC Investment Management's core strength lies in our** ability to identify and select 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. Our investment team dedicates significant time, energy and expertise to constructing 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 UBCIM team determines an appropriate investment strategy and selects external investment management firms for each asset class within our investment programs. Here, our size is a key advantage relative to our peers. UBCIM 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 seek a partner with the skills, experience and relationships to deliver excess returns for the chosen mandate – while also providing a platform we can build on together over the long term. Equally important, we expect our managers to be transparent in demonstrating how they execute their investment strategies through comprehensive, timely reporting and active sharing of data and market insights.

## Choosing the Right Managers

The success of UBCIM's overall investment strategy depends on our careful, in-house evaluation of prospective managers to ensure they align with our standards and advance the objectives of the funds we manage. Therefore, our investment due diligence process maintains exceptionally high standards to provide assurance that selected partners will benefit our portfolios.

In our manager selection and due diligence processes, we follow clearly defined steps for identifying, assessing and monitoring the investment process and performance of our chosen partners. Our requirements for all due diligence recommendations include alignment with a set of active investment manager investment beliefs. Furthermore, our ESG assessment framework highlights the materiality of ESG risks within each investment, assesses the manager's quality of ESG integration to mitigate risks or capitalize on opportunities, and identifies residual ESG risks.

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## **Our Approach to Due Diligence**

Evaluating a potential manager involves a comprehensive, systematic and thorough analytical approach. Although each search is tailored for a particular asset class and mandate, our investment and operational due diligence follows consistent evaluation 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 UBCIM's broader 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 performance will not be compromised by poor management.

Another key dimension of UBCIM's due diligence is our use of sophisticated models and software in our research and analysis. We continually assess third-party analytical solutions that may enhance our productivity and deliver insights that can be incorporated into our manager selection process.

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 refine our decision-making

processes, we're able to select managers that we believe will benefit the funds we manage over the long term.

Our President and CEO approves manager selection decisions, operating under delegated authority from the Board and with input from UBCIM's manager selection, total portfolio management and investment operations teams. The manager selection process includes preparing a formal due diligence report that examines all aspects of the investment process, including how the manager identifies, assesses and manages 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**

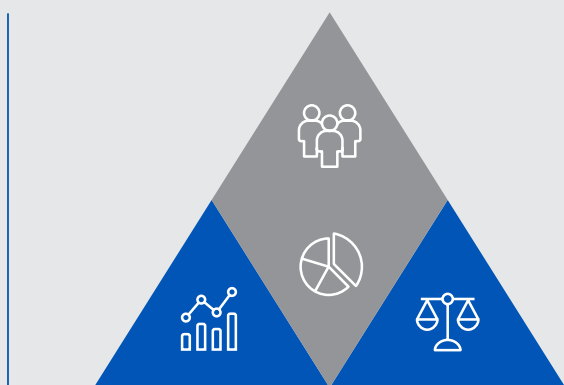
Once we have committed to and funded an external investment manager, we implement consistent monitoring procedures to validate our original investment thesis and identify any changes in approach or deviations from expectations. This process includes reviewing performance and responsible investing reports, holding regular meetings and conference calls, and collecting portfolio holdings data incorporated into our risk management approach. For private market investments, our team regularly serves as members of limited partnership advisory committees to support robust oversight of the strategies we invest in.

We report to the UBCIM Board any change in status of an external manager, including when they are appointed, 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 market 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 information feedback loops in which each portfolio's risk and return are assessed against those of the 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, leveraging sophisticated performance and risk attribution analytics.

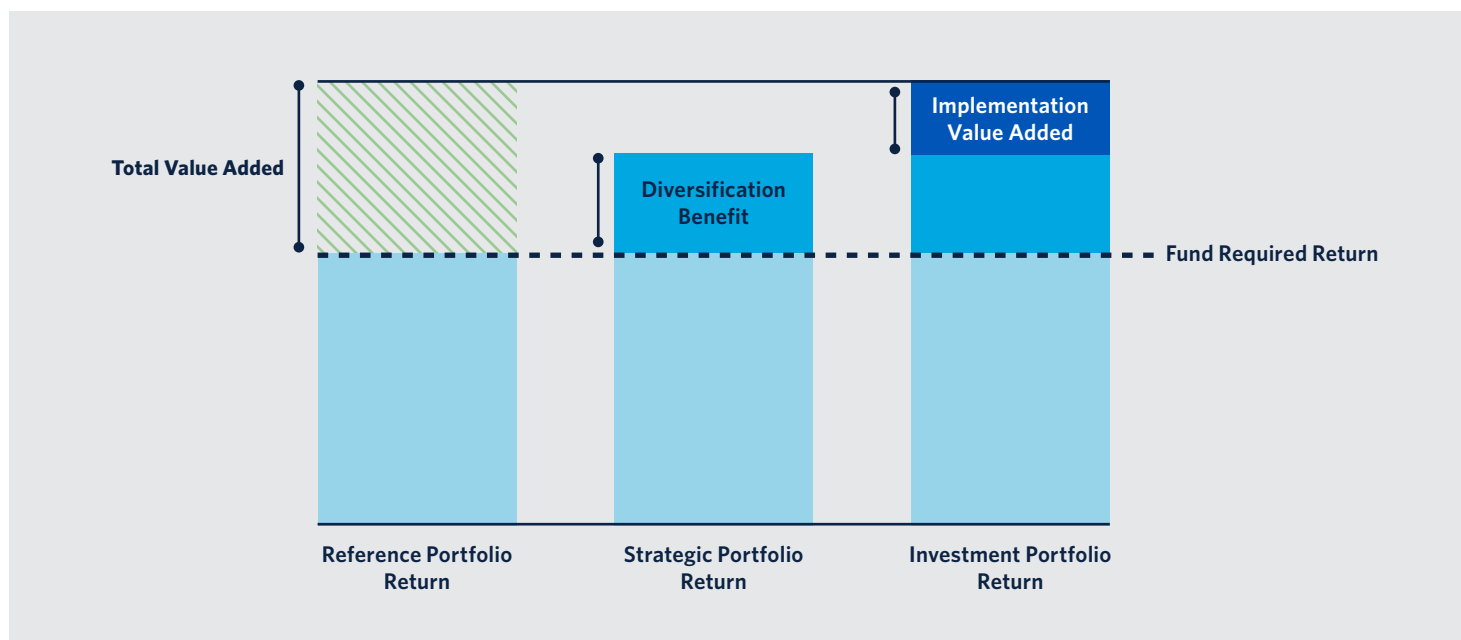
## Assessing Returns

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 our 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 concentrate 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 through allocation to a more diversified set of asset class exposures. This diversification benefit allows the UBC Investment Management team to evaluate whether the additional complexity of the Strategic Portfolio's asset mix is benefitting the overall fund.

### Investment Portfolio Return and Implementation Value-add

Excess returns generated by the Investment Portfolio beyond the Strategic Portfolio is a measure of the value-add contribution from our team's portfolio construction and manager selection decisions. This value-add measure enables our Board to assess whether active portfolio implementation is producing beneficial outcomes for the overall fund.

Active management is not a low-cost approach. It requires additional resources and staff, more intensive risk monitoring and higher fees. We focus on portfolio performance net of all costs to ensure that active management is delivering value-add to the portfolios we manage.

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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, and have steadily advanced our process, 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.

## **Investment Risk Stakeholders**

Our investment risk management framework starts by considering how risk is defined by each stakeholder that plays a role in our investment decision-making – similar to 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.

UBCIM'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 portfolios 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 UBCIM 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.

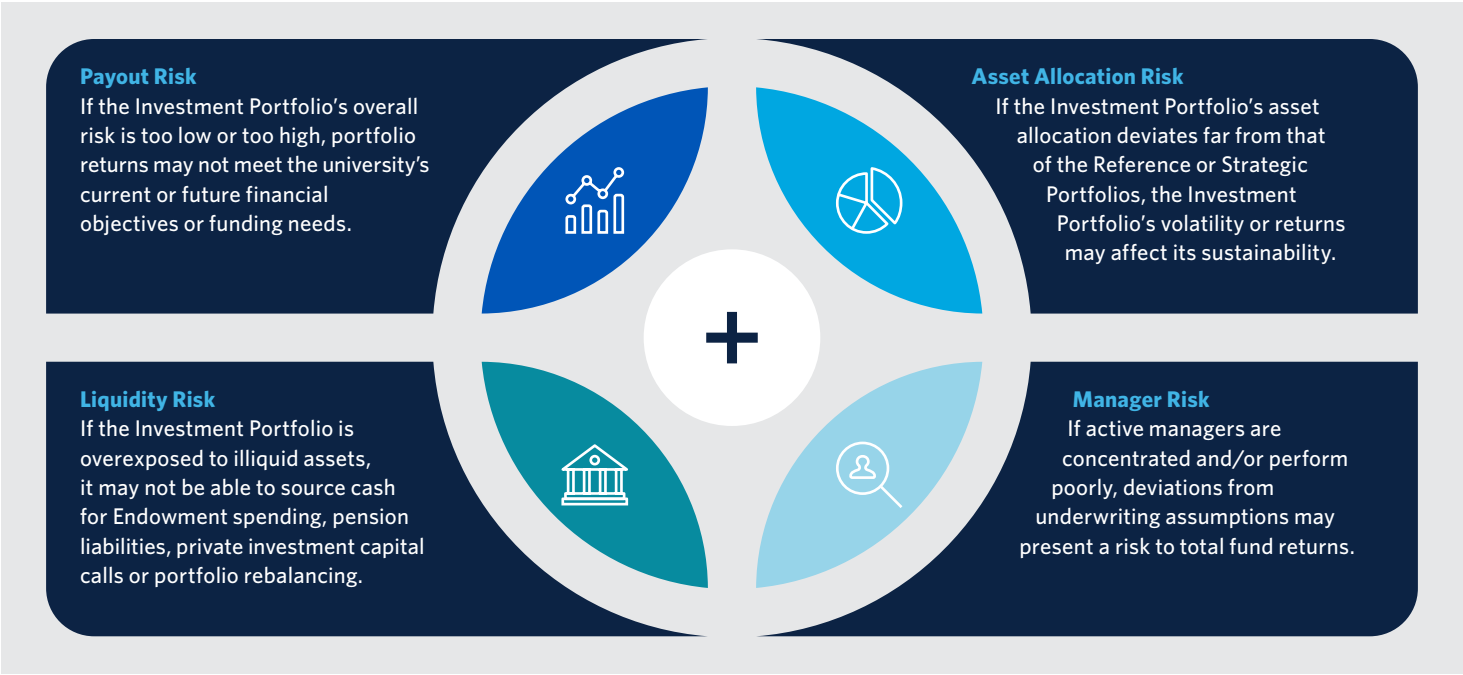
Identifying Investment Risks

Our investment risk management approach is built to address the information needs of investment decision-makers and identifies four investment risk elements: payout risk, asset allocation risk, liquidity risk and manager risk.

ESG-related risk assessment and management forms an essential component of our investment process and risk framework. We assess the potential impacts of climate change on long-term asset class returns and payout risk. We also examine broad ESG risks across sector and

geographic exposures in implementing the Investment Portfolio and assess how external managers evaluate, manage and report on ESG risks.

Through the performance and risk management systems implemented in FY22-23, our investment team has developed meaningful risk metrics for the four risk elements codified in our investment risk management policy. These metrics are calculated for each portfolio and reported to the UBC Investment Management Board on a quarterly basis.



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### **Managing Enterprise Risks**

In addition to investment portfolio risk management, UBCIM has established procedures to identify and manage enterprise risks that could significantly impact our organization and the execution of our corporate strategy. Our enterprise risk management approach incorporates proven best practices for an organization of our size and is overseen by the Risk & Audit Committee of our Board of Directors. We work closely with UBC's Office of Enterprise Risk and Assurance to ensure our comprehensive assessment framework aligns with that of UBC.

Our enterprise risk assessment framework defines six categories of organizational risk:

- governance and oversight
- relationship management
- legal, regulatory and compliance risk
- business continuity, information security and systems risk
- human resources management
- operations and control environment

Within these categories, we regularly monitor a range of specific risks. The framework evaluates both the likelihood of risk occurrence and the potential severity of impact, considering existing controls. It is also designed to pinpoint areas where the current level of enterprise risk is misaligned with the risk tolerance of our Board, helping to prioritize corporate initiatives to enhance resiliency. The UBCIM team provides quarterly reporting to the Risk & Audit Committee on corporate developments affecting enterprise risk factors. The team also undertakes annual risk reassessments and leverages the assessment results to inform our corporate strategic objectives and budget planning.

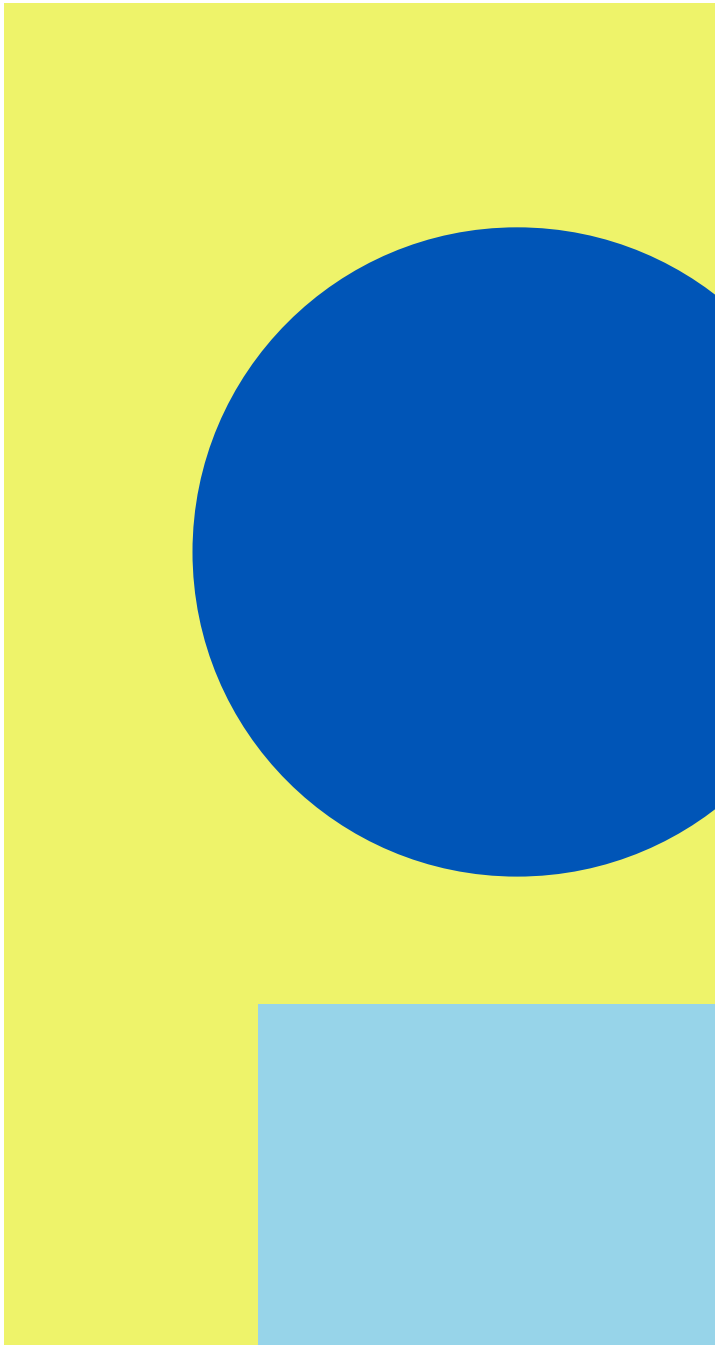


# INVESTMENT REVIEW



## INVESTMENT REVIEW FISCAL YEAR 2024–2025

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



**At March 31, 2025, UBC Investment Management managed \$6.9 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 UBCIM to generate value-add over a passive implementation model. Each fund’s Strategic Portfolio considers the fund’s unique required return, investment horizon and liquidity profile, along with the overall investment risk tolerance level of the capital pools.

*Other funds overseen by UBCIM include smaller capital pools with specific investment restrictions.*

# 2024–2025 IN REVIEW

**Global financial markets exhibited strength throughout** the twelve months ending March 2025, building upon the previous year's momentum. The period was characterized by a confluence of supportive economic conditions that propelled investment markets forward, while previously anticipated headwinds did not materialize with significant force. The global economy remained in an upswing, supported by easing inflation, stabilizing interest rates and continued fiscal spending. Over the same period, the U.S. outperformed, driven by strong private consumption and steady business investment.

## **Volatility Eases in Fixed Income Markets**

Fixed income investors have experienced volatility in returns in recent years as a result of the pandemic and the subsequent inflation surge that triggered a sharp rise in interest rates and substantial losses in traditional fixed income portfolios. In FY24-25, central banks responded to cooling inflation trends with measured policy rate reversals, unwinding portions of the aggressive tightening campaigns implemented in 2022-2023. This shift toward monetary policy easing established favourable conditions for fixed income returns.

Credit markets demonstrated particular strength. Corporate bond credit spreads compressed to levels well below their long-term historical averages, mirroring the elevated valuations seen in equity markets. This tightening signaled strong investor confidence in corporate financial health and the sustainability of company earnings.

## **Equity Markets Solid, Real Estate Stabilizes**

Global equity markets delivered robust positive returns through much of FY24-25, supported by the favourable macroeconomic backdrop. Corporate earnings growth accelerated meaningfully, while moderating inflation and stronger-than-anticipated household spending and business investment created a positive environment for equities and other risk assets. The synchronized shift toward more accommodative monetary policy across major economies provided additional tailwinds for equity valuations. The technology sector remained a market leader, driven especially by large U.S. companies that sustained earnings momentum and continued to invest heavily in artificial intelligence infrastructure and capabilities.

Overall, the broad global equity index generated a 7.2% return (in U.S. dollars) for the one-year period ended March 31, 2025 – despite a nearly 4% loss in the month of March as global trade concerns escalated quickly. Canadian investors benefited from additional returns through currency translation effects, as the Canadian dollar experienced a notable depreciation.

Another beneficiary of lower interest rates has been the property market which has navigated headwinds of higher borrowing costs and elevated vacancy in some sectors. While activity in the commercial property market has remained muted, lower policy interest rates are improving valuation dynamics and broad property market index returns are turning positive.

### **Looking Ahead**

The conclusion of our fiscal year coincided with a clear shift in market sentiment, as several supportive factors began to change. Most notably, the new U.S. administration has introduced considerable uncertainty regarding international trade relationships and economic policy direction, causing volatility in equity market and currency valuations and prompting many businesses to defer capital allocation and hiring decisions. The potential for uneven global trade impacts adds complexity to economic forecasting and investment positioning.

While the scope and timing of policy changes remain uncertain in the near term, our long-term investment focus drives us to strengthen partnerships with investment partners who possess strong capabilities in markets outside North America. This positions us to capitalize on global opportunities and deliver consistent returns regardless of shifting geopolitical winds.

# 2024–2025 INVESTMENT PERFORMANCE

VALUES AS OF MARCH 31, 2025

|                      |                |                |
|----------------------|----------------|----------------|
| MAIN ENDOWMENT POOL  | 2025           | 2024           |
|                      | \$2.58 billion | \$2.29 billion |
| STAFF PENSION PLAN   | 2025           | 2024           |
|                      | \$3.00 billion | \$2.67 billion |
| WORKING CAPITAL FUND | 2025           | 2024           |
|                      | \$1.04 billion | \$0.94 billion |

Note: Changes shown in market values reflect investment earnings, as well as cash flows into and out of the portfolios. Not included above are an additional \$315 million of endowed assets, managed passively against public benchmarks or under specific investment restrictions, at other foundations that support UBC-based programs (see page 50).

# 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 reviewed annually, alongside a technical review of program composition and performance. Policies describe the investment objectives of the program, performance benchmarks for sub-asset class strategies, and any constraints related to portfolio construction.

## FY24–25 Performance Results

Overall, our investment programs generated strong returns over the year ended March 31, 2025, and were mostly in-line with or ahead of Strategic Portfolio asset class benchmarks.

In public market investments, equity markets generated strong absolute returns, helping to support performance of our managed funds. Our implementation in equities realized solid value-add in our Global and Emerging Markets portfolios in FY24–25, even as the environment remained challenging for active managers. The Endowment’s public equity portfolio added 1.5% over its benchmark over the period.

In the SPP portfolio, Global and Emerging Markets portfolios similarly outperformed their benchmark, though relative performance in the Canadian equity allocation reduced the overall public equity return level and value-add in the SPP equity program. Fixed income returns were also elevated in FY24–25 given the decrease in market interest rates. Strong

performance in SPP’s long-term Canadian bond portfolio, compared to its benchmark, contributed positively to fixed income results.

Across private market investments, Private Credit and Private Equity portfolios delivered solid performance relative to the elevated returns of their passive public market benchmarks. Conversely, private market investments in our Real Assets program, comprised of Infrastructure and Real Estate investments, underperformed the strong returns of their public market benchmarks – which benefited from the reduction in market interest rates over the period, although Infrastructure portfolios posted double digit returns.

For the SPP portfolio, total returns in private credit and real assets were lower compared to the Main Endowment Pool as the fund’s currency hedging policies on those asset classes, combined with depreciation of the Canadian dollar, detracted from returns over the period.

## Five-Year Performance Results

Given our implementation approach through private market investments – which account for over 40% of the Endowment and Staff Pension Plan portfolios – we expect that Investment Portfolio returns will lag those of the Strategic Portfolio over shorter horizons when public market indexes generate strong positive returns. Conversely, when public markets post weaker or negative returns, we expect the Investment Portfolio to outperform. Within our investment framework, we prefer to assess our programs over a longer period as we seek to generate value-add relative to passive public market benchmarks over the medium to long term.

Over a five-year horizon – a period that started with the COVID-19 market low and included a major inflation and interest rate shock – asset class performance has been

mixed. Mirroring the one-year results over FY24–25, our five-year public market performance saw strong absolute returns in the equity program, keeping pace with exceptional benchmark index performance. Meanwhile, returns in longer-maturity bonds, where performance is negatively correlated with movements in market interest rates, were restrained by the rise in interest rates over the five-year period, though our implementation contributed positively to portfolio value-add. The SPP Strategic Portfolio's sizeable weight to longer-maturity fixed income through its long-term bond and infrastructure debt allocations was the primary factor in the SPP fixed income program returns being below that of the Main Endowment Pool.

In contrast to longer-maturity bonds, private credit performance is positively linked to short-term interest rates; returns have been healthy over the five-year period as global interest rates rose to combat elevated inflation. Our private credit investments in the Main Endowment Pool

delivered annualized returns of 10.1%, slightly underperforming the benchmark return of 10.3%. Similarly, the private equity portfolio generated strong annualized returns of 12.7% in the Main Endowment Pool, although it trailed the public market index, which returned 16.4%.

Over five years, the real assets portfolio has provided an 8.8% return in the Main Endowment Pool. Infrastructure investments generated a healthy 11.2% over the period, while the Real Estate portfolio returned 5.6% in a challenging environment of higher interest rates and lingering pandemic effects on core office and retail sectors.

For the SPP portfolio, the active return results were similar to that of the Main Endowment Pool across different investment programs. However, currency hedging practices applicable for those asset classes resulted in lower total returns due to the depreciation of the Canadian dollar over the period.

**TABLE 1**

Investment Program Performance (at March 31, 2025)

| Investment Program             | 1-Year Return  |                    | 5-Year Return  |                    |
|--------------------------------|----------------|--------------------|----------------|--------------------|
|                                | Endowment Fund | Staff Pension Plan | Endowment Fund | Staff Pension Plan |
| <b>Fixed Income Program</b>    | <b>11.7%</b>   | <b>7.7%</b>        | <b>6.9%</b>    | <b>1.7%</b>        |
| Cash                           | 5.4%           | 4.4%               | 2.2%           | 2.9%               |
| Government Bonds               | 7.2%           | –                  | –              | –                  |
| Long Term Bonds                | –              | 7.8%               | –              | –0.3%              |
| Infrastructure Debt            | –              | 7.6%               | –              | 1.5%               |
| Private Credit*                | 15.8%          | 8.6%               | 10.1%          | 6.8%               |
| UBC Debenture                  | 6.0%           | –                  | 7.1%           | –                  |
| Mortgages                      | –              | 7.8%               | –              | 3.4%               |
| <b>Equity Program</b>          | <b>15.5%</b>   | <b>13.9%</b>       | <b>14.4%</b>   | <b>14.4%</b>       |
| Public Equity                  | 15.9%          | 13.5%              | 14.9%          | 14.6%              |
| Private Equity                 | 13.6%          | 15.2%              | 12.7%          | 13.7%              |
| <b>Real Assets Program</b>     | <b>10.5%</b>   | <b>7.3%</b>        | <b>8.8%</b>    | <b>7.5%</b>        |
| Real Estate*                   | 4.4%           | 1.9%               | 5.6%           | 4.6%               |
| Infrastructure*                | 14.8%          | 11.0%              | 11.2%          | 8.9%               |
| <b>Absolute Return Program</b> | <b>17.9%</b>   | <b>–</b>           | <b>7.3%</b>    | <b>–</b>           |

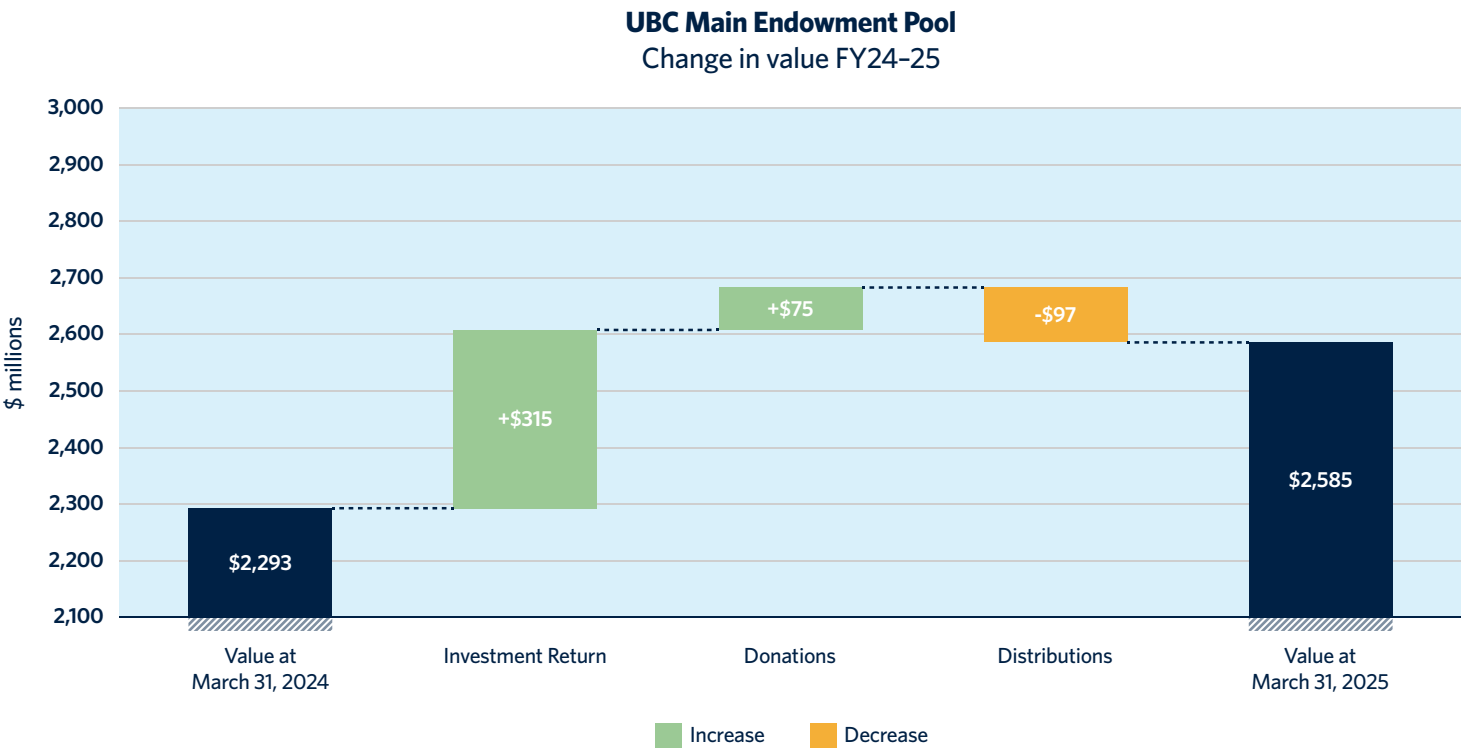
\* The Staff Pension Plan hedges foreign currency exposure within its Private Credit, Real Estate and Infrastructure portfolios. The Endowment Fund stopped hedging foreign currency exposures in these asset classes in April 2022.

# TOTAL FUND RESULTS

## MAIN ENDOWMENT POOL

### \$2.6 billion assets under management

The UBC Main Endowment Pool increased in value by \$292 million over the one-year period ended March 31, 2025, driven by strong investment returns of \$315 million. Over FY24-25, the Main Endowment Pool distributed \$97 million to support various UBC research, teaching and student aid programs.



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 across seven asset classes within UBC Investment Management’s broader investment programs. Compared to the Reference Portfolio, the Strategic Portfolio has a lower weighting to public fixed income 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 following table contains the Main Endowment Pool’s asset mix as of March 31, 2025, as well as the Reference Portfolio and Strategic Portfolio’s target asset mix:

| TABLE 2                                             |                                      |                                      |                      |
|-----------------------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| Asset Mix — Main Endowment Pool (at March 31, 2025) |                                      |                                      |                      |
| Investment Program                                  | Reference Portfolio<br>Target Weight | Strategic Portfolio<br>Target Weight | Investment Portfolio |
| Fixed Income                                        | 30.0%                                | 17.5%                                | 20.1%                |
| Equity                                              | 70.0%                                | 55.0%                                | 55.1%                |
| Real Assets                                         |                                      | 20.0%                                | 20.5%                |
| Absolute Return                                     |                                      | 7.5%                                 | 4.3%                 |

**TABLE 3****Performance Analysis — Main Endowment Pool (at March 31, 2025)**

|                                | 1 Year | 3 Years | 5 Years | 10 Years |
|--------------------------------|--------|---------|---------|----------|
| Endowment Required Return      | 7.1%   | 8.0%    | 8.5%    | 7.1%     |
| Investment Portfolio Return*   | 13.9%  | 10.1%   | 11.1%   | 7.9%     |
| Reference Portfolio Benchmark† | 12.1%  | 9.2%    | 9.8%    | 7.4%     |
| Value Added                    | 1.8%   | 0.9%    | 1.3%    | 0.5%     |

\*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 13.9% in the one-year period ended March 31, 2025, reflecting solid returns across all asset class programs, led by equity and absolute return investments. This result outperformed the Reference Portfolio's 12.1% return over the same period, which saw strong returns driven by a high allocation to public equity. Over longer periods, the Investment Portfolio generated annualized returns of 11.1% over five years and 7.9% over 10 years, outperforming the portfolio benchmark by 1.3% and 0.5% over the respective periods.

Looking at the longer investment horizon, we also assess how effectively the Main Endowment Pool meets its principal objective: to maintain inflation-adjusted value and generate sufficient growth to support the Endowment's spend rate and administrative charge. While inflationary pressures in recent years have lifted the five-year required return to 8.5%, the fund's corresponding return of 11.1% has outperformed this target.

### Attributing Performance in the Main Endowment Fund

UBCIM'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 UBCIM team to pursue incremental returns through portfolio construction, investment manager selection and private market investments

**TABLE 4**  
**Attributing Performance in the Main Endowment Fund (3 years ended March 31, 2025)**

|                   | Reference Portfolio (A) | Diversification Benefit | Implementation Value Added | Total Value Added (B) | Investment Portfolio (A+B) |
|-------------------|-------------------------|-------------------------|----------------------------|-----------------------|----------------------------|
| Investment Return | 9.2%                    | -0.2%                   | 1.1%                       | 0.9%                  | 10.1%                      |

The table above outlines key sources of return and value-add over the three-year period ended March 31, 2025.

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 9.2% return in the three-year period. This result was driven by strong returns from public equity markets over the period and modestly positive returns from Canadian public bonds.

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 benefit 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 enables the UBCIM team to add value through active investment selection and invest in private markets. Over the three-year period, the Strategic Portfolio generated a modestly negative incremental return of -0.2%.

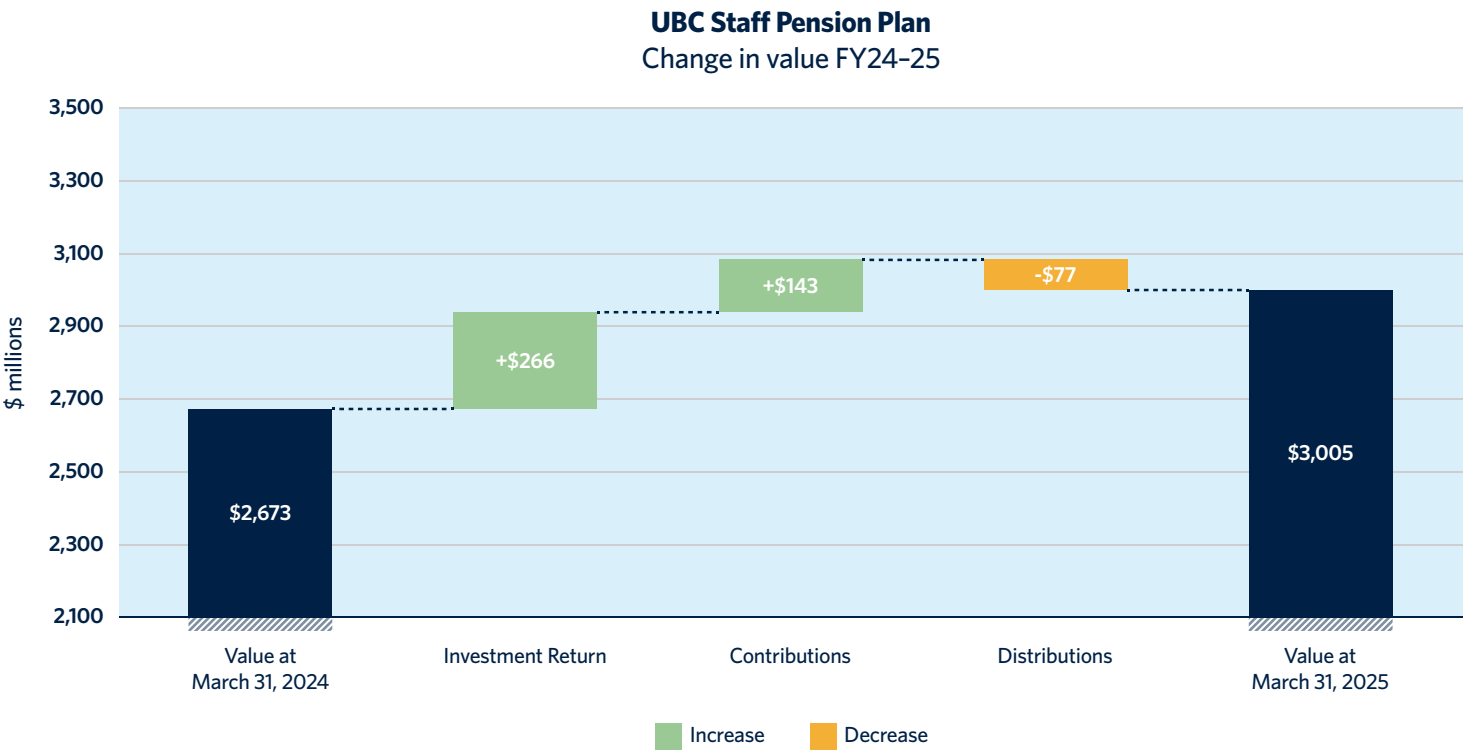
The diversification benefit does not consider the impact of the decision to implement the Strategic Portfolio using active management and private market investments. The aggregate impact of these decisions is measured as the implementation value added by the UBCIM team. Over the three-year period, this incremental return added 1.1% on an annualized basis.

Positive implementation value added over this period was largely attributable to the Main Endowment Pool’s public equity, absolute return and real assets portfolios, which outperformed their benchmarks. While this level of positive implementation value has been strong, implementation value added results are expected to vary over short time horizons. UBCIM focuses on the team’s implementation track record over the longer term. Overall, the effect of diversification and active implementation contributed 0.9% of value-add relative to the Reference Portfolio return.

STAFF PENSION PLAN

\$3.0 billion assets under management

The assets of the UBC Staff Pension Plan (SPP) grew by \$332 million in FY24-25, a result reflecting strong total portfolio returns as well as positive cash flows into the plan. The SPP continues to have a healthy ratio of active members to pensioners, generating net contributions into the SPP Investment Portfolio after providing \$77 million of pensions payments in the year.



The SPP 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. In 2024, the SPP Board concluded an asset-liability review and approved a new Strategic Portfolio. The UBC Investment Management team will begin transitioning SPP's Investment Portfolio to the new Strategic Portfolio in FY25-26.

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, 2025:

**TABLE 5****Asset Mix — SPP (at March 31, 2025)**

| Investment Program | Strategic Portfolio<br>Target Weight | Investment Portfolio |
|--------------------|--------------------------------------|----------------------|
| Fixed Income       | 42.5%                                | 40.7%                |
| Equity             | 35.0%                                | 37.9%                |
| Real Assets        | 22.5%                                | 21.4%                |

**TABLE 6****Performance Analysis — SPP (at March 31, 2025)**

| Investment Program              | 1 Year | 3 Years | 5 Years | 10 Years |
|---------------------------------|--------|---------|---------|----------|
| Long-Term Performance Objective |        |         |         | 6.6%     |
| Investment Portfolio Return*    | 9.9%   | 6.3%    | 7.5%    | 6.1%     |
| Strategic Portfolio Benchmark   | 10.5%  | 4.5%    | 7.2%    |          |
| Value Added                     | -0.6%  | 1.8%    | 0.3%    |          |

\*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 9.9% in FY24-25, with all asset classes generating a positive return over the year and equity investments posting the highest returns. This result lagged the SPP’s Strategic Portfolio return of 10.5% over the same period. Over five years, the SPP Investment Portfolio has returned 7.5% on an annualized basis, outpacing the Strategic Portfolio Benchmark of 7.2%.

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 the 10-year period ended March 31, 2025, the Investment Portfolio’s performance lagged this objective, driven by elevated inflation levels in 2022-2023 and the Strategic Portfolio’s allocations to longer-maturity fixed income investments that only generated modest total returns over the period.

**TABLE 7**  
**Attributing Performance in the SPP Portfolio (3 years ended March 31, 2025)**

|                   | Strategic Portfolio (A) | Implementation Value Added | Total Value Added (B) | Investment Portfolio (A+B) |
|-------------------|-------------------------|----------------------------|-----------------------|----------------------------|
| Investment Return | 4.5%                    | 1.8%                       | 1.8%                  | 6.3%                       |

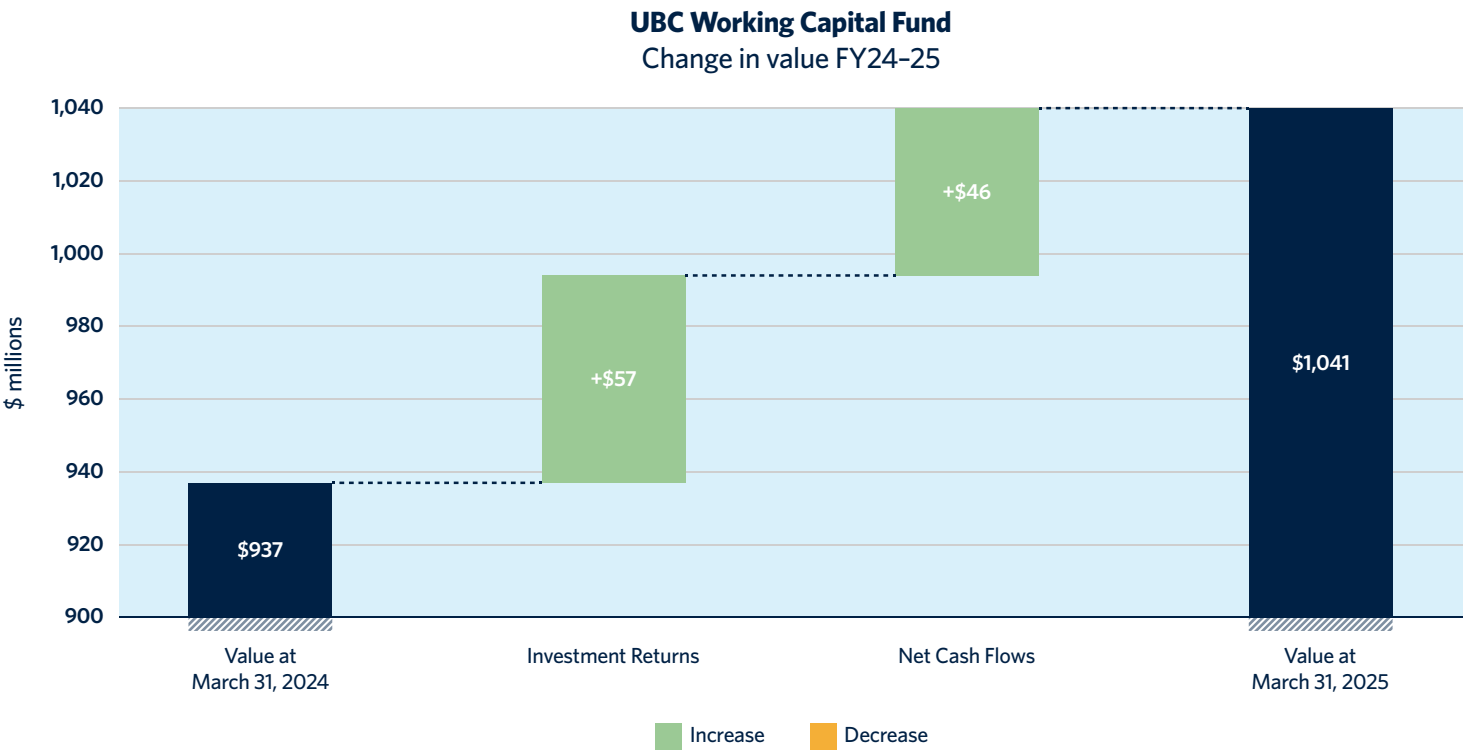
The SPP Strategic Portfolio is constructed as a diversified mix of investable public market indexes, with asset classes across fixed income, equity and real asset programs. We apply the performance attribution framework to the SPP portfolio in a similar manner as we do to the Endowment, evaluating the returns available in capital markets through the Strategic Portfolio return and the implementation value added through UBCIM’s active implementation of the Strategic Portfolio.

For the three-year period ended March 31, 2025, the SPP Strategic Portfolio generated a return of 4.5%. Strong performance in public and private equity investments drove overall results, while modest bond returns and negative returns in real estate tempered results. Considering the SPP’s Investment Portfolio return of 6.3% over the three-year period, the effect of active implementation – the implementation value added – was 1.8%. The strong level of value was a result of positive contributions across most of SPP’s asset classes, though the real asset and fixed income programs accounted for the majority of the total value added.

WORKING CAPITAL FUND

\$1.0 billion assets under management

The working capital assets of the university increased by \$104 million over the one-year period ending March 31, 2025. Investment returns contributed positively to fund growth over the year, exceeding the net contribution of capital into the fund.



The Working Capital Fund is a highly liquid portfolio of money market assets, short-duration public bonds and mortgage strategies, reflecting the fund's 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 FY24-25, the Working Capital Fund returned 6.7%, matching the return of the Strategic Portfolio return. Over the three-year period ended March 31, 2025, the Working Capital Fund generated implementation value added of 0.4% on an annualized basis.

Investments in liquidity assets have provided a healthy contribution to total fund returns in recent years, reflecting elevated Bank of Canada policy interest rates. In FY24-25, the Bank of Canada reduced policy interest rates; public bonds and mortgages, whose returns benefit from a reduction in interest rates, generated strong positive returns. The Investment Portfolio generated returns of 2.8% over five years and 2.2% over a 10-year period, resulting in 0.7% and 0.5% value added on an annualized basis, respectively, above the Strategic Portfolio benchmark.

**TABLE 8****Asset Mix — Working Capital Fund (at March 31, 2025)**

| Investment Program   | Strategic Portfolio Target Weight | Investment Portfolio |
|----------------------|-----------------------------------|----------------------|
| <b>Fixed Income</b>  | <b>100%</b>                       | <b>100%</b>          |
| Liquidity Assets     | 15.0%                             | 30.3%                |
| Public Fixed Income  | 85.0%                             | 50.3%                |
| Private Fixed Income | —                                 | 19.4%                |

**TABLE 9****Performance Analysis — Working Capital Fund (at March 31, 2025)**

|                                | 1 Year | 3 Years | 5 Years | 10 Years |
|--------------------------------|--------|---------|---------|----------|
| Investment Portfolio Return*   | 6.7%   | 4.2%    | 2.8%    | 2.2%     |
| Strategic Portfolio Benchmark† | 6.7%   | 3.8%    | 2.1%    | 1.7%     |
| Value Added                    | 0.0%   | 0.4%    | 0.7%    | 0.5%     |

\*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

**\$315 million in aggregate assets**

UBC Investment Management also oversees the investments of a number of other 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, 2025, the aggregate assets of these capital pools were \$315 million.

**TABLE 10**

Performance Analysis (at March 31, 2025)

|                                                            | 1 Year | 5 Years | 10 Years |
|------------------------------------------------------------|--------|---------|----------|
| <b>Pools Managed Passively</b>                             |        |         |          |
| <b>Supplementary Arrangement (\$146 million)</b>           |        |         |          |
| Investment Portfolio Return*                               | 11.9%  | 9.4%    | 6.3%     |
| Policy Benchmark                                           | 11.7%  | 9.4%    | 6.3%     |
| Value Added                                                | 0.2%   | 0.0%    | 0.0%     |
| <b>Endowments with Investment Restrictions</b>             |        |         |          |
| <b>Peter Wall Legacy Fund (\$114 million)<sup>†</sup></b>  |        |         |          |
| Investment Portfolio Return*                               | 11.8%  |         |          |
| Policy Benchmark                                           | 10.7%  |         |          |
| Value Added                                                | 1.1%   |         |          |
| <b>Vancouver Foundation (\$50.9 million)</b>               |        |         |          |
| Investment Portfolio Return*                               | 8.8%   | 10.4%   | 7.1%     |
| Policy Benchmark                                           | 11.3%  | 10.7%   | 7.2%     |
| Value Added                                                | -2.5%  | -0.3%   | -0.1%    |
| <b>Merilees Chair — Jarislowski Fraser (\$4.3 million)</b> |        |         |          |
| Investment Portfolio Return*                               | 10.5%  | 9.9%    | 6.8%     |
| Policy Benchmark                                           | 11.3%  | 9.2%    | 6.2%     |
| Value Added                                                | -0.8%  | 0.7%    | 0.6%     |

\*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.



# FINANCIAL STATEMENTS



# INDEPENDENT AUDITORS' REPORT

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To the Directors,  
UBC Investment Management Inc.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of UBC Investment Management Inc. (the “Company”), which comprise the balance sheet as at 31 March 2025, and the statements of retained earnings, 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 2025, 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.

*Belfe, Benson LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
2 July 2025

# BALANCE SHEET

31 MARCH 2025

|                                                      | 2025                | 2024                |
|------------------------------------------------------|---------------------|---------------------|
| <b>Assets</b>                                        |                     |                     |
| <b>Current</b>                                       |                     |                     |
| Cash                                                 | \$ 667,618          | \$ 527,412          |
| Short term investments                               | 2,802,112           | 2,779,181           |
| Accounts receivable                                  | 100                 | 100                 |
| GST receivable                                       | 6,780               | –                   |
| Prepaid expenses                                     | 282,888             | 120,680             |
|                                                      | <b>3,759,498</b>    | <b>3,427,373</b>    |
| <b>Equipment and leasehold improvements (Note 3)</b> | <b>191,229</b>      | <b>211,549</b>      |
| <b>Intangible assets (Note 4)</b>                    | <b>14,196</b>       | <b>19,656</b>       |
| <b>Security deposit</b>                              | <b>5,350</b>        | <b>5,350</b>        |
|                                                      | <b>\$ 3,970,273</b> | <b>\$ 3,663,928</b> |
| <b>Liabilities</b>                                   |                     |                     |
| <b>Current</b>                                       |                     |                     |
| Accounts payable and accrued liabilities (Note 5)    | \$ 1,854,478        | \$ 1,382,835        |
| Advances payable (Note 6)                            | 2,024,583           | 2,173,518           |
|                                                      | <b>3,879,061</b>    | <b>3,556,353</b>    |
| <b>Deferred lease inducement (Note 7)</b>            | <b>31,962</b>       | <b>41,094</b>       |
|                                                      | <b>3,911,023</b>    | <b>3,597,447</b>    |
| <b>Commitments (Note 8)</b>                          |                     |                     |
| <b>Shareholder's Equity (Deficit)</b>                |                     |                     |
| <b>Share capital (Note 9)</b>                        | <b>100</b>          | <b>100</b>          |
| <b>Retained earnings (deficit)</b>                   | <b>59,150</b>       | <b>66,381</b>       |
|                                                      | <b>59,250</b>       | <b>66,481</b>       |
|                                                      | <b>\$ 3,970,273</b> | <b>\$ 3,663,928</b> |

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

**APPROVED BY THE BOARD:**

Azim Lalani, Director

Rakesh Saraf, Director

# STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED 31 MARCH 2025

|                                  | 2025 |         | 2024 |        |
|----------------------------------|------|---------|------|--------|
| Balance – beginning of year      | \$   | 66,381  | \$   | 32,172 |
| Net earnings (loss) for the year |      | (7,231) |      | 34,209 |
| Balance – end of year            | \$   | 59,150  | \$   | 66,381 |

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

# STATEMENT OF EARNINGS

FOR THE YEAR ENDED 31 MARCH 2025

|                                                      | 2025              | 2024<br>(Note 13) |
|------------------------------------------------------|-------------------|-------------------|
| <b>Revenue</b>                                       |                   |                   |
| Portfolio management fees (Note 10)                  | \$ 5,348,935      | \$ 4,653,083      |
| Other revenue                                        | 129,758           | 135,275           |
|                                                      | <b>5,478,693</b>  | <b>4,788,358</b>  |
| <b>Expenses</b>                                      |                   |                   |
| Salaries and benefits (Note 10)                      | 3,565,679         | 3,046,396         |
| Software and data                                    | 784,824           | 647,491           |
| Corporate services                                   | 307,272           | 89,422            |
| Office lease                                         | 212,371           | 203,217           |
| Investment professional services                     | 201,398           | 367,667           |
| Directors fees and expenses                          | 195,241           | 173,920           |
| Office expenses (Note 10)                            | 116,074           | 113,641           |
| Travel and conference                                | 50,031            | 51,273            |
| Amortization of equipment and leasehold improvements | 54,149            | 56,208            |
| Amortization of intangible assets                    | 5,460             | 4,914             |
|                                                      | <b>5,492,499</b>  | <b>4,754,149</b>  |
| <b>Earnings (loss) from operations</b>               | <b>(13,806)</b>   | <b>34,209</b>     |
| <b>Other income (expense)</b>                        |                   |                   |
| Wage subsidy                                         | 7,000             | —                 |
| Exchange loss                                        | (425)             | —                 |
|                                                      | <b>6,575</b>      | <b>—</b>          |
| <b>Net earnings (loss) for the year</b>              | <b>\$ (7,231)</b> | <b>\$ 34,209</b>  |

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2025

|                                                      | 2025              | 2024              |
|------------------------------------------------------|-------------------|-------------------|
| <b>Cash provided by (used in):</b>                   |                   |                   |
| <b>Operating activities</b>                          |                   |                   |
| Net earnings (loss) for the year                     | \$ (7,231)        | \$ 34,209         |
| Items not involving cash                             |                   |                   |
| Amortization of equipment and leasehold improvements | 54,149            | 56,208            |
| Amortization of intangible assets                    | 5,460             | 4,914             |
| Amortization of deferred lease inducement            | (9,132)           | (13,698)          |
|                                                      | <b>43,246</b>     | <b>81,633</b>     |
| Changes in non-cash working capital balances         |                   |                   |
| Short term investments                               | (22,931)          | (518,537)         |
| Accounts receivable                                  | –                 | 8,400             |
| GST receivable                                       | (6,780)           | –                 |
| Prepaid expenses                                     | (162,208)         | 10,252            |
| Accounts payable and accrued liabilities             | 471,643           | 250,567           |
| Advances payable                                     | (148,935)         | 464,516           |
| Deferred lease inducement                            | –                 | 54,792            |
|                                                      | <b>174,035</b>    | <b>351,623</b>    |
| <b>Investing activities</b>                          |                   |                   |
| Purchase of equipment and leasehold improvements     | (33,829)          | (14,718)          |
| <b>Net increase (decrease) in cash</b>               | <b>140,206</b>    | <b>336,905</b>    |
| <b>Cash – beginning of year</b>                      | <b>527,412</b>    | <b>190,507</b>    |
| <b>Cash – end of year</b>                            | <b>\$ 667,618</b> | <b>\$ 527,412</b> |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

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## 1. Incorporation, operations and economic dependence

The Company (formerly UBC Investment Management Trust Incorporated) 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 (loss). 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 (loss).

NOTES TO THE  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

(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 |
|---------|-----------------------|

**NOTES TO THE  
FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2025**

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(f) Cloud computing arrangements

The Company has applied the standards of AcG-20 Customer's Accounting for Cloud Computing Arrangements in the current year. To account for expenditures in a cloud computing arrangement that fall within the scope of this standard, the Company applies the simplification approach where these expenditures are treated as the supply of services and recognized as an expense when the Company receives such services. The Company recognizes a prepayment as an asset when payment for services has been made in advance of the Company receiving those services. Expenditures related to implementation activities are expensed as incurred. No adjustments to the current or prior year financial statements were required after retrospectively implementing this standard. During the year, \$607,444 (2024 - \$583,929) of cloud computing expenditures are included in computer support and licenses expense on the statement of earnings.

(g) 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.

(h) 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.

(i) 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 2025

### 3. Equipment and leasehold improvements

|                        | Cost       | Accumulated<br>Amortization | 2025 Net   | 2024 Net   |
|------------------------|------------|-----------------------------|------------|------------|
| Furniture and fixtures | \$ 168,284 | \$ 123,803                  | \$ 44,481  | \$ 40,161  |
| Computer equipment     | 179,378    | 133,025                     | 46,353     | 45,563     |
| Computer software      | 1,794      | 1,655                       | 139        | –          |
| Leasehold improvements | 254,050    | 153,794                     | 100,256    | 125,825    |
|                        | \$ 603,506 | \$ 412,277                  | \$ 191,229 | \$ 211,549 |

### 4. Intangible assets

|         | Cost      | Accumulated<br>Amortization | 2025 Net  | 2024 Net  |
|---------|-----------|-----------------------------|-----------|-----------|
| Website | \$ 21,840 | \$ 7,644                    | \$ 14,196 | \$ 19,656 |

### 5. Accounts payable and accrued liabilities

|                  | 2025         | 2024         |
|------------------|--------------|--------------|
| Accounts payable | \$ 1,854,478 | \$ 1,326,084 |
| GST payable      | –            | 56,751       |
|                  | \$ 1,854,478 | \$ 1,382,835 |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

### 6. Advances payable

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

### 7. Deferred lease inducement

In fiscal 2023, the Company expanded its office space during the year and incurred \$166,590 in capital expenditures for leasehold improvements. The Company received lease inducements of \$54,792 plus GST. These amounts have been 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 (Note 8).

### 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:

|      |    |         |
|------|----|---------|
| 2026 | \$ | 311,523 |
| 2027 |    | 81,173  |
|      | \$ | 392,696 |

### 9. Share capital

Authorized

100,000 common shares without par value

Issued

|                   |    | 2025 | 2024   |
|-------------------|----|------|--------|
| 100 common shares | \$ | 100  | \$ 100 |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

### 10. Shareholder transactions

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

|                               | 2025 |           | 2024<br>(Note 13) |           |
|-------------------------------|------|-----------|-------------------|-----------|
| Portfolio management fees     | \$   | 5,348,935 | \$                | 4,653,083 |
| Salaries and related benefits | \$   | 12,775    | \$                | 12,775    |
| Insurance                     | \$   | 6,020     | \$                | 6,000     |
| Advances payable              | \$   | 220,000   | \$                | 675,000   |

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.

- (b) Included in accounts payable are amounts due to:

|     | 2025 |       | 2024 |       |
|-----|------|-------|------|-------|
| UBC | \$   | 1,294 | \$   | 1,126 |

**NOTES TO THE  
FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2025**

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**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 2025.

(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.

(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 exposed to all three risks.

(d) Interest rate risk

Interest rate risk is the risk that the fair market value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed rate financial instruments subject the Company to a fair value risk.

**NOTES TO THE  
FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2025**

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(e) 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.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to other price risk through its short-term investments.

**12. Non-capital losses**

The Company has non-capital losses carried forward of \$15,416 (2024 - \$27,604) which are available to reduce the taxable income of future years.

**13. Comparative figures**

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2025 financial statements.

# BOARD OF DIRECTORS

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# UBC INVESTMENT MANAGEMENT FY24–25 BOARD OF DIRECTORS

|                                                                                                                     |                                                                                       |                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Azim Lalani, CPA, CA</b><br>Board Chair and Corporate Director /<br>Chief Financial Officer,<br>Tantalus Systems | <b>Naveen Kapahi, FCIA, FSA</b><br>Independent Chair,<br>UBC Staff Pension Plan Board | <b>Yale Loh, CPA, CFA</b><br>UBC Treasurer /<br>Member, UBC Staff Pension Plan Board                                                          |
| <b>Alexa Blain, CFA, CBV</b><br>Corporate Director /<br>Co-Founder and Managing Partner,<br>Deetken Impact          | <b>Hyewon Kong, CFA</b><br>Corporate Director /<br>Director, Gresham House            | <b>Rakesh Saraf, CFA</b><br>Corporate Director                                                                                                |
| <b>Tom Bradley</b><br>Corporate Director /<br>Chair and Co-Founder,<br>Steadyhand Investment Funds                  | <b>Frank Laezza</b><br>UBC Vice President Finance<br>and Operations                   | <b>Byron Thom</b><br>Vice Chair, UBC Board of Governors /<br>Chair, UBC Finance Committee /<br>Partner, Industrial Innovation<br>Venture Fund |
| <b>Amanda Farrell</b><br>Corporate Director /<br>Chief Executive Officer,<br>Transportation Investment Corporation  |                                                                                       |                                                                                                                                               |

## Advisors and Service Providers

|                                                                           |                                                                                |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>Auditor</b><br>Rolfe, Benson LLP Chartered<br>Professional Accountants | <b>Legal Counsel</b><br>Norton Rose Fulbright Canada LLP<br>Lawson Lundell LLP |
| <b>Custodians/Administrators</b><br>Northern Trust<br>Sun Life Financial  | <b>Performance Measurement<br/>Consultant</b><br>Northern Trust                |

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