

# INVESTMENT UPDATE

UBC Faculty Pension Plan

January 18, 2022

**PRESENTERS:**

**ORLA COUSINEAU, EXECUTIVE DIRECTOR, PENSIONS**

**KAMILA GIESBRECHT, EXECUTIVE DIRECTOR, INVESTMENTS**



# LAND ACKNOWLEDGEMENT

- We acknowledge that UBC's two main campuses are located on the traditional, ancestral and unceded territories of the Syilx Okanagan Nation and the x<sup>w</sup>məθk<sup>w</sup>əyəm (Musqueam) peoples, and that UBC's activities take place on Indigenous lands throughout British Columbia and beyond.



# AGENDA

- **Investment Options Update**
- **Focus of the Board of Trustees and Management**
- **Market Environment**
- **Performance**
- **Q&A**





## INVESTMENT OPTIONS – BALANCED FUND

Balanced Fund	Current Allocation	Target Allocation
<b>Bonds</b>	<b>40%</b>	<b>37%</b>
<b>Canadian Equity</b>	<b>15%</b>	<b>10%</b>
<b>Global Equity</b>	<b>30%</b>	<b>33%</b>
<b>Real Estate</b>	<b>15%</b>	<b>12%</b>
Domestic	5%	4%
United States	5%	4%
Global	5%	4%
<b>Infrastructure</b>	<b>0%</b>	<b>8%</b>
Global	0%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

- Infrastructure – approx. within 12-18 months

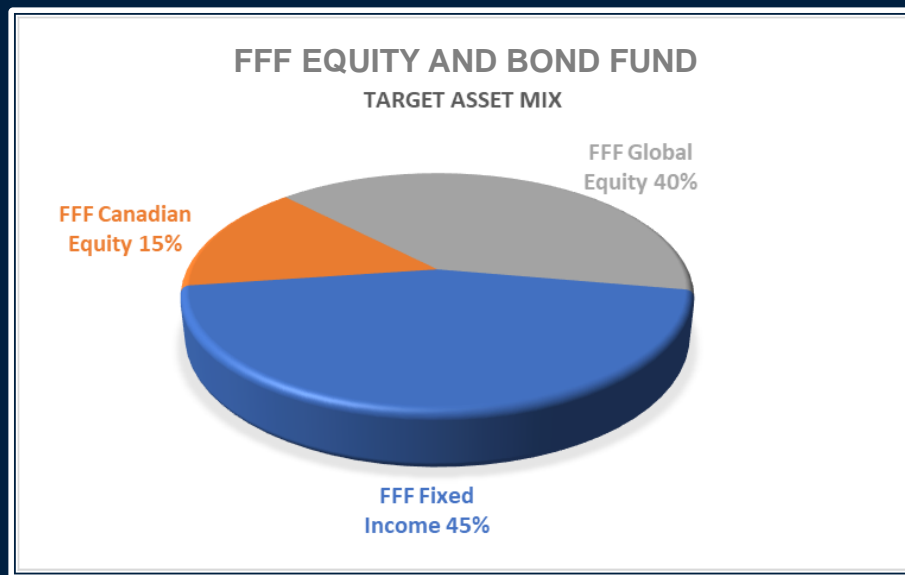


# INVESTMENT OPTIONS – BALANCED FUND



# INVESTMENT OPTIONS – FOSSIL FUEL FREE EQUITY AND BOND FUND

- Added on April 1, 2020
- Assets approx. \$78M
- Composed of three underlying Fossil Fuel Free (FFF) Funds



# INVESTMENT OPTIONS – FOSSIL FUEL FREE EQUITY AND BOND FUND

## CARBON FOOTPRINT – FFF CANADIAN EQUITIES

FIGURE 1. CARBON EMISSIONS – FOSSIL FUEL FREE CANADIAN EQUITIES

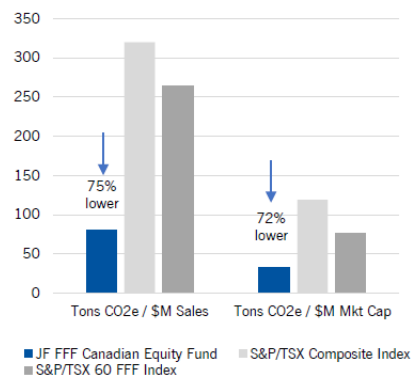


FIGURE 2. SECTOR ATTRIBUTION

Weighted Average Carbon Intensity by Sector	JF FFF Canadian Equity Fund	S&P/TSX Composite Index	S&P/TSX 60 FFF Index	JF FFF Canadian Equity Fund vs S&P/TSX Composite Index	JF FFF Canadian Equity Fund vs S&P/TSX 60 FFF Index
	t CO <sub>2</sub> e / \$M Sales			Comparison of t CO <sub>2</sub> e / \$M Sales	
Materials	394.2	423.2	410.2	-6.9%	-3.9%
Industrials	99.8	431.3	531.6	-76.9%	-81.2%
Consumer Discretionary	89.7	51.2	57.1	75.2%	56.9%
Consumer Staples	42.1	31.6	27.2	33.4%	55.0%
Information Technology	13.5	23.9	26.5	-43.4%	-49.0%
Real Estate	9.5	74.6	169.6	-87.3%	-94.4%
Financials	4.1	3.8	3.5	5.7%	16.4%
Utilities	N/A	2,150.3	2,436.3	N/A	N/A
Communication Services	N/A	20.7	21.5	N/A	N/A
Health Care	N/A	62.3	82.6	N/A	N/A
Energy	N/A	860.5	786.4	N/A	N/A
Overall	80.1	319.6	264.5	-74.9%	-69.7%

FIGURE 3. LARGEST CONTRIBUTORS TO PORTFOLIO'S WEIGHTED AVERAGE CARBON INTENSITY

Company	Sector	Portfolio Weight	Carbon Intensity	Contribution to Portfolio Carbon Intensity	Emissions Source
1. NUTRIEN LTD.	Materials	4.1%	629	32.3%	Reported
2. CN RAIL	Industrials	5.1%	498	31.9%	Reported
3. WINPAK LTD.	Materials	1.2%	469	6.9%	Estimated
4. GILDAN INC.	Cons. Discretionary	3.5%	146	6.3%	Reported
5. CCL INDUSTRIES INC.	Materials	3.5%	96	4.3%	Reported

Holdings as at September 30, 2021. Carbon metrics and reporting generated on October 7, 2021.

Portfolio weights are ex cash.

Carbon Intensity = t CO<sub>2</sub>e/\$M USD Sales

For portfolio, data availability is 100% with 17.5% comprised of MSCI estimates; for S&P/TSX Composite Index, data availability is 99.6% with 17.4% comprised of MSCI estimates; for S&P/TSX 60 FFF Index, data availability is 100% with 9.8% comprised of MSCI estimates.

Data Sources: JF and MSCI. Emissions include Scope 1 and Scope 2 Emissions.



# INVESTMENT OPTIONS – LEITH WHEELER

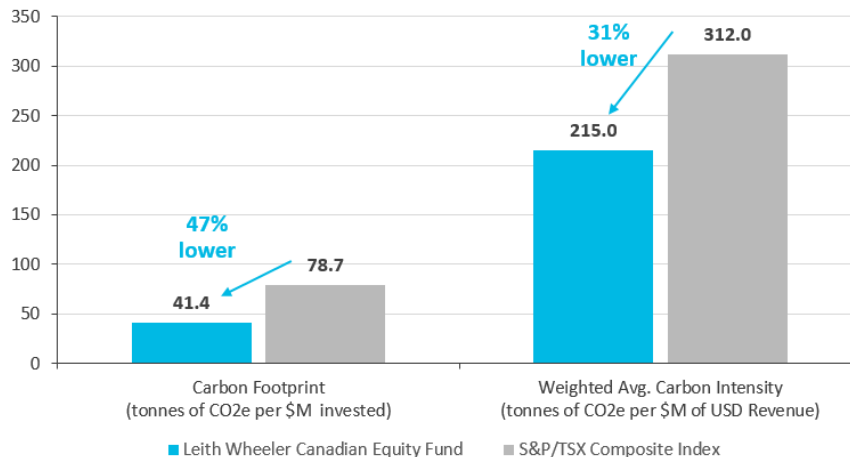
## ONE OF OUR CANADIAN EQUITY MANAGERS

### Carbon Emissions in the Leith Wheeler Canadian Equity Fund



Quiet Money.

Holdings as of December 31, 2021; latest available emissions data<sup>(1)</sup>



Source: MSCI ESG Ratings, Bloomberg, Leith Wheeler Investment Counsel Ltd., Company Sustainability Reports

Notes:

<sup>(1)</sup> Based on Scope 1 and 2 emissions data. Latest available data is combination of 2019 and 2020 emissions. Calculation methodology based on the recommended metrics for Asset Managers to disclose from the Task Force for Climate-related Financial Disclosures (TCFD). If a company does not report emissions, MSCI estimates emissions based on their determination of whether company falls into high, moderate, or low emitting industry. Based on market values, 99.5% of the companies held in the Leith Wheeler Canadian Equity Fund are covered by MSCI, and 99.3% of the companies in the S&P/TSX Composite are covered.





## INVESTMENT OPTIONS – SINGLE ASSET CLASS FUNDS

- Canadian Equity Fund
- Foreign Equity Fund
- Bond Fund
- Short-Term Investment Fund
- GICs



# FOCUS OF THE BOARD OF TRUSTEES & MANAGEMENT

- Review of the Strategic Asset Allocation and Portfolio Construction
- Review of the FPP Canadian Equity managers
- Review of the FPP Fixed Income managers
- Review and rebalancing of Balanced Fund and FFF Equity and Bond Fund
- Annual review of the Statement of Investment Policy and Goals
- Oversight of the Plan's investment managers (e.g. integration of ESG factors)
- Review of the Fund Options



## WHAT WE DO NOT DO

- React to short-term news
- Time the market
- Pick stocks or sectors
- Economic forecasting
- Provide personal investment or financial planning advice



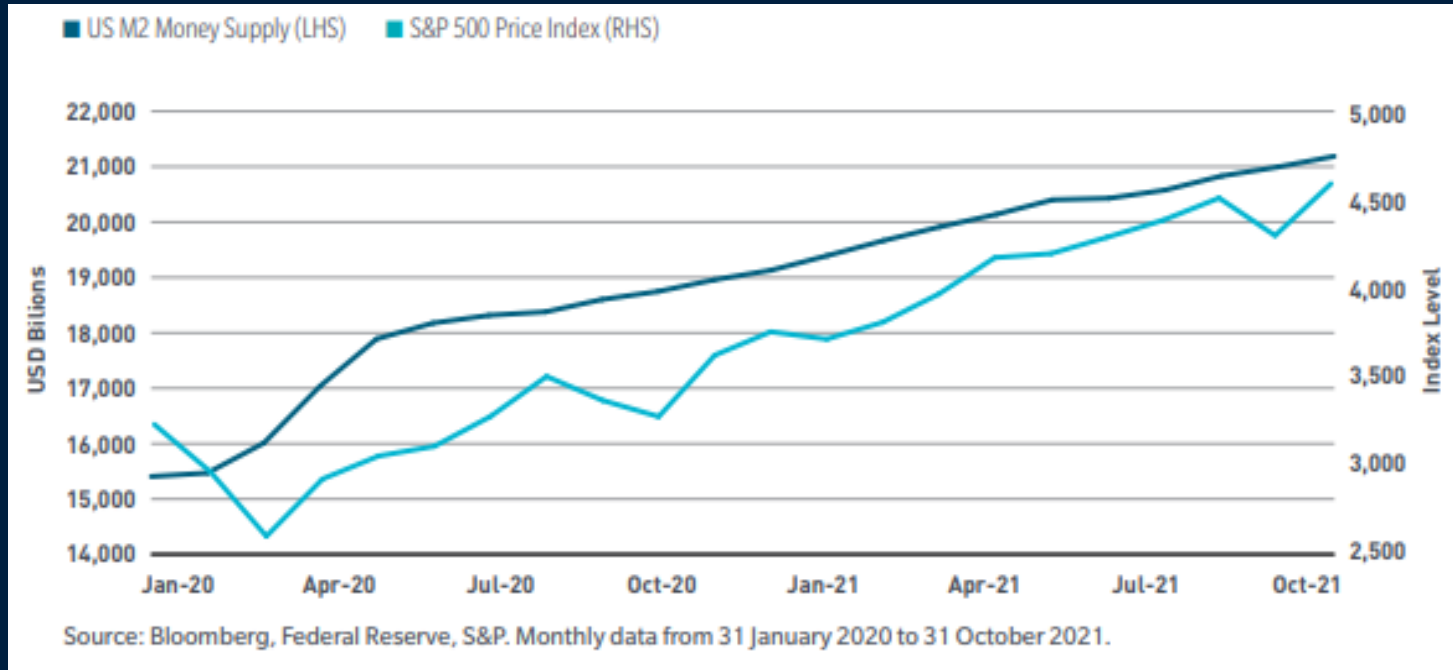
# MARKETS

- Equity Markets in 2021...
  - exceptional, remarkable, nothing short of incredible
  - MSCI world index was in fact up nearly 22% in US dollars last year
  - energy, tech, and financials were top
- Fixed Income in 2021...
  - stumbled out of the gate
  - FTSE TMX Canada Universal Bond Index posted -2.54% last year





# LIQUIDITY HELPED BOOST ASSET PRICES



# MARKETS ...CHALLENGES FOR INVESTORS TODAY

- Inflation – *transitory or here to stay ?*
- Interest Rates – *on the rise?*
- Geopolitical Risk – *not necessarily new*
- Growth – *improved, but is it sustainable?*
- Over-valued markets
- Governments and Central Banks response:
  - masked risk, but underlying market fragility persists
  - central banks buying slows, will governments' support slow as well?
- Covid-19 (alpha), beta, delta, omicron...*end?*

Our Focus: risk mitigation, capital preservation, income generation, diversification, inflation protection, and partnering with managers focused on sustainable value creation, ESG



# MARKET COMMENTARY

Q1: “The first quarter of 2021 will be remembered as a period when the fixed income markets misbehaved, dropping by 5.04%. A bond market decline of this magnitude last happened in the first quarter of 1994, when the U.S. Federal Reserve unexpectedly started a series of short-term interest rate increases. Going back further, over the past 160 quarters, a drop of more than 5% in a quarter has actually happened 4 times.”

Q2: “The pervasive capital market chatter thus far in 2021 has centered on inflation. The debate is not whether inflation exists – it certainly does – but rather the expected duration of these official 3% to 4% annualized CPI prints. “Transitory” is the buzz word for one camp, whereas others see rising prices as longer lasting, and possibly accelerating. Market participants are viewing each new economic data point, and word uttered by a central banker, through this lens. Putting aside the impact on our own budgets, the ultimate winner of the debate is not a trivial matter; from an investment perspective, getting the call right on changes in inflation and economic growth can lead to significantly outperforming portfolios.”

Q3: “China dominated the capital market news cycle in September, sending markets sharply lower following two months of strong gains. Default risk – with global implications – surfaced at Evergrande, China’s second largest real estate company. The ruling Communist party also cracked down on cryptocurrency use, and, more broadly, businesses and capital market activity via sweeping regulatory measures. At the same time, US Federal Reserve Chair Jerome Powell put on the table tapering of the Bank’s asset purchases for later in the year. This tightening of monetary policy hit highly valued growth stocks particularly hard. “Risk off” was most definitely the theme to end the quarter.”

Q4: “US Federal Reserve Bank Minutes Revealed...”



## STAYING THE COURSE

- The economy is fragile and pandemic developments and policies are creating lots of uncertainty
- In an over-valued, extended and highly volatile market, the focus on risk control must take priority
- We believe that broad diversification and a steady hand continue to be the best strategy





# FUND RATES OF RETURN TO DECEMBER 31, 2021

Fund	Q4 2021	1 Year	5 Year	10 Year
<b>UBC FPP Balanced Fund</b>	4.62%	11.80%	8.49%	9.02%
Benchmark	4.18%	10.07%	7.86%	8.12%
<b>UBC FPP Bond Fund</b>	1.35%	(2.13%)	3.66%	3.36%
Benchmark	1.47%	(2.54%)	3.28%	3.07%
<b>UBC FPP Canadian Equity Fund</b>	6.67%	26.56%	10.38%	10.65%
Benchmark	6.47%	25.09%	10.04%	9.21%
<b>UBC FPP Foreign Equity Fund</b>	6.38%	19.64%	13.40%	15.66%
Benchmark	6.93%	18.69%	12.68%	14.93%
<b>UBC FPP Fossil Fuel Free Equity and Bond Fund</b>	4.63%	11.95%	N/A	N/A
Benchmark	4.62%	10.36%	N/A	N/A
<b>UBC FPP Short Term Investment Fund</b>	0.06%	0.20%	1.04%	1.07%
Benchmark	0.05%	0.17%	0.92%	0.87%



# PERFORMANCE

- Fixed Income
- Canadian Equity
- Foreign Equity (Global Equity)
- Real Estate
- Balanced Fund & Fossil Fuel Free Equity and Bond Fund



# RELATIVE FUND PERFORMANCE – FIXED INCOME

## AS OF SEPTEMBER 30, 2021

	Annualized Returns				One Year Returns			
	YTD	1 YR	4 YR	10 YR	2020	2019	2018	2017
<b>UBC FPP Bond</b>	-3.61	-2.45	3.76	3.27	6.69	9.40	1.79	-3.61
Quartile	3	2	3	3	4	2	2	4
Custom Benchmark	-3.95	-3.35	3.79	3.25	7.09	9.58	2.32	-3.87
<i>Differential</i>	0.34	0.89	-0.03	0.02	-0.40	-0.18	-0.53	0.26
<b>AB Core Plus Bond</b>	-2.93	-1.04	3.63	3.77	4.58	9.86	1.43	-2.16
Quartile	2	1	4	2	4	2	4	2
FTSE Canada Universe Bond	-3.95	-3.35	3.65	3.33	7.08	9.69	1.66	-2.97
<i>Differential</i>	1.02	2.30	-0.02	0.44	-2.50	0.17	-0.23	0.81
<b>BlackRock Universe Bond Index</b>	-3.97	-3.37	-	-	6.99	-	-	-
Quartile	4	4	-	-	4	-	-	-
FTSE Canada Universe Bond	-3.95	-3.35	3.65	3.33	7.08	9.69	1.66	-2.97
<i>Differential</i>	-0.02	-0.03	n/a	n/a	-0.09	n/a	n/a	n/a
<b>PIMCO Canadian CorePLUS Bond</b>	-3.02	-1.38	4.78	4.33	9.20	10.31	1.46	-2.09
Quartile	2	1	1	1	1	1	4	2
FTSE Canada Universe Bond	-3.95	-3.35	3.65	3.33	7.08	9.69	1.66	-2.97
<i>Differential</i>	0.93	1.97	1.13	1.00	2.12	0.62	-0.21	0.88

Source: Morningstar – Canadian Fixed Income Universe – Periods Ending Sept 30

\* Current Custom UBC Bond Benchmark: 100% FTSE TMX Canada Universe Bond Index.



# RELATIVE FUND PERFORMANCE – CANADIAN EQUITY AS OF SEPTEMBER 30, 2021

	Annualized Returns				One Year Returns			
	YTD	1 YR	4 YR	10 YR	2020	2019	2018	2017
<b>UBC Canadian Equity</b>	<b>18.36</b>	<b>31.04</b>	<b>9.63</b>	<b>10.01</b>	<b>-1.37</b>	<b>3.63</b>	<b>7.85</b>	<b>9.74</b>
Quartile	2	2	2	2	3	4	1	2
Custom Benchmark	17.48	28.02	9.75	8.89	-0.03	7.07	5.87	9.19
<i>Differential</i>	0.88	3.02	-0.12	1.13	-1.34	-3.45	1.98	0.55
<b>CC&amp;L Group Canadian Q Growth</b>	<b>18.27</b>	<b>28.86</b>	<b>11.08</b>	<b>11.28</b>	<b>2.84</b>	<b>3.99</b>	<b>10.47</b>	<b>7.75</b>
Quartile	2	2	1	1	1	4	1	4
S&P/TSX Composite TR	17.48	28.02	9.75	8.84	-0.03	7.06	5.87	9.18
<i>Differential</i>	0.79	0.84	1.33	2.44	2.87	-3.07	4.60	-1.43
<b>Guardian Canadian Equity</b>	<b>15.18</b>	<b>26.33</b>	<b>8.72</b>	<b>9.66</b>	<b>-3.68</b>	<b>7.04</b>	<b>7.28</b>	<b>9.28</b>
Quartile	4	3	3	3	3	2	2	2
S&P/TSX Capped Composite TR (Custom)	17.48	28.02	9.75	8.84	-0.04	7.08	5.87	9.18
<i>Differential</i>	-2.30	-1.69	-1.03	0.82	-3.64	-0.05	1.41	0.10
<b>LW Canadian Equity</b>	<b>22.45</b>	<b>39.64</b>	<b>10.24</b>	<b>11.48</b>	<b>-2.27</b>	<b>1.16</b>	<b>6.97</b>	<b>13.60</b>
Quartile	1	1	2	1	3	4	2	1
S&P/TSX Composite TR	17.48	28.02	9.75	8.84	-0.03	7.06	5.87	9.18
<i>Differential</i>	4.97	11.62	0.49	2.64	-2.24	-5.91	1.10	4.42
<b>Source: Morningstar – Canadian Equity Universe – Periods Ending Sept 30</b>								

\*Current Custom UBC Canadian Equity Benchmark: 66.7% S&P/TSX Composite Index, 33.3% S&P/TSX Capped Composite Index.





# RELATIVE FUND PERFORMANCE – GLOBAL EQUITY AS OF SEPTEMBER 30, 2021

	Annualized Returns				One Year Returns			
	YTD	1 YR	4 YR	10 YR	2020	2019	2018	2017
<b>UBC FPP Foreign Equity</b>	<b>12.11</b>	<b>22.85</b>	<b>12.23</b>	<b>15.04</b>	<b>6.47</b>	<b>5.48</b>	<b>14.98</b>	<b>11.66</b>
Quartile	2	2	2	1	3	2	2	3
Custom Benchmark	10.99	20.05	12.00	14.82	8.96	4.95	14.62	11.25
Differential	1.11	2.80	0.23	0.22	-2.49	0.52	0.37	0.41
<b>BlackRock MSCI World ex-Can Min Vol</b>	<b>6.59</b>	<b>9.65</b>	<b>8.01</b>	<b>-</b>	<b>-1.71</b>	<b>10.84</b>	<b>13.92</b>	<b>4.72</b>
Quartile	4	4	4	-	4	1	2	-
MSCI World ex Can Min Vol C\$	6.48	9.46	7.79	-	-2.02	10.64	13.78	4.56
Differential	0.11	0.19	0.21	n/a	0.31	0.19	0.15	0.16
<b>BlackRock CDN MSCI ACWI ex-Can</b>	<b>10.52</b>	<b>20.13</b>	<b>12.02</b>	<b>-</b>	<b>10.87</b>	<b>3.95</b>	<b>13.73</b>	<b>13.20</b>
Quartile	3	3	2	-	2	3	3	-
MSCI ACWI Ex-Canada Index	10.31	20.68	12.35	-	11.85	3.77	13.74	13.04
Differential	0.21	-0.55	-0.33	n/a	-0.97	0.19	-0.01	0.16
<b>Arrowstreet (Canada) Global World I</b>	<b>17.25</b>	<b>32.26</b>	<b>-</b>	<b>-</b>	<b>9.19</b>	<b>0.47</b>	<b>15.84</b>	<b>-</b>
Quartile	1	1	-	-	3	4	2	-
MSCI World Investable Market Index	12.42	23.41	-	-	10.44	3.30	11.67	-
Differential	4.83	8.85	n/a	n/a	-1.26	-2.83	4.17	n/a
<b>MFS Global Equity</b>	<b>10.99</b>	<b>22.30</b>	<b>12.96</b>	<b>16.27</b>	<b>7.24</b>	<b>10.77</b>	<b>12.06</b>	<b>12.97</b>
Quartile	2	2	2	1	3	1	3	2
MSCI World Ex Canada Net C\$	12.26	22.02	13.19	15.21	11.88	4.26	15.33	12.57
Differential	-1.28	0.28	-0.23	1.07	-4.63	6.51	-3.26	0.40
Source: Morningstar – Global Equity Universe – Periods Ending Sept 30								



# COMMERCIAL REAL ESTATE PERFORMANCE AS OF SEPTEMBER 30, 2021

	Annualized Returns				One Year Returns			
	YTD	1 YR	4 YR	10 YR	2020	2019	2018	2017
<b>BK Prime Canadian Property</b>	<b>10.46</b>	<b>11.05</b>	<b>7.14</b>	<b>7.17</b>	<b>0.88</b>	<b>8.28</b>	<b>8.64</b>	<b>7.57</b>
Consumer Price Index +4%	7.00	8.38	6.23	5.71	4.50	5.86	6.24	5.54
<i>Differential</i>	3.46	2.67	0.91	-5.71	-3.62	2.42	2.41	2.04
<b>CBRE U.S. Core Partners</b>	<b>20.27</b>	-	-	-	-	-	-	-
NFI-ODCE	12.34	-	-	-	-	-	-	-
<i>Differential</i>	7.94	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Source: Morningstar - Periods Ending Sept 30								



# RELATIVE FUND PERFORMANCE – MULTI ASSET FUNDS AS OF SEPTEMBER 30, 2021



	Annualized Returns				One Year Returns			
	YTD	1 YR	4 YR	10 YR	2020	2019	2018	2017
<b>UBC FPP Balanced</b>	<b>6.59</b>	<b>12.40</b>	<b>7.78</b>	<b>8.50</b>	<b>4.45</b>	<b>6.73</b>	<b>7.71</b>	<b>4.76</b>
Quartile	3	4	2	2	3	2	1	3
Custom Benchmark	5.65	10.59	7.86	8.09	6.33	7.55	7.02	3.94
<i>Differential</i>	<i>0.94</i>	<i>1.81</i>	<i>-0.08</i>	<i>0.41</i>	<i>-1.88</i>	<i>-0.82</i>	<i>0.69</i>	<i>0.82</i>
<b>UBC FPP FFF Equity and Bond</b>	<b>6.76</b>	<b>12.39</b>	-	-	-	-	-	-
Quartile	3	4	-	-	-	-	-	-
Custom Benchmark	5.48	10.90	-	-	-	-	-	-
<i>Differential</i>	<i>1.27</i>	<i>1.49</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Source: Morningstar – Canadian Neutral Balanced Universe – Periods Ending Sept 30								

\* Current Custom UBC Balanced Benchmark: 40% FTSE Bond Universe, 13.3% S&P/TSX, 6.7% S&P/TSX Capped, 5% MSCI ACWI Ex Canada, 10% MSCI World Ex Canada, 10% MSCI World IMI, 5% MSCI World Ex Canada Minimum Volatility, 10% CPI + 4%

# SUMMARY

- Our strategies worked as expected in 2021
- Covid-19 is not yet over, but there is hope
- We still believe that the last 10 years will be difficult to repeat going forward
- We are focusing on risk mitigation & capital preservation



## Q&A

To ask questions:

- Click on the Q&A icon at the bottom of your screen in Zoom
- Type in your questions







THE UNIVERSITY OF BRITISH COLUMBIA

THE UNIVERSITY OF BRITISH COLUMBIA