Q4 2023

Sun Life Assurance Company of Canada
UBC Faculty Pension Plan
Fossil Fuel Free Equity and Bond Fund
Portfolio managed by Jarislowsky, Fraser Limited

This portfolio is designed to enable investors to exclude investments in fossil fuels such as thermal coal, oil and natural gas used for energy purposes, while investing in a diversified, actively managed, quality-focused portfolio. The portfolio carbon footprint is actively monitored to deliver a materially reduced emission intensity.

The investment manager, Jarislowsky, Fraser Limited (JFL), adheres to a long-term, quality investment philosophy. The JFL Global Investment Team integrates material ESG factors as part of its investment approach as per the firm's Sustainable Investment policy. This analysis contributes to the assessment of business quality, risks and opportunities of issuers; however, it does not act as an quantitative screening tool. The firm actively engages with companies to drive enhanced corporate stewardship practices.

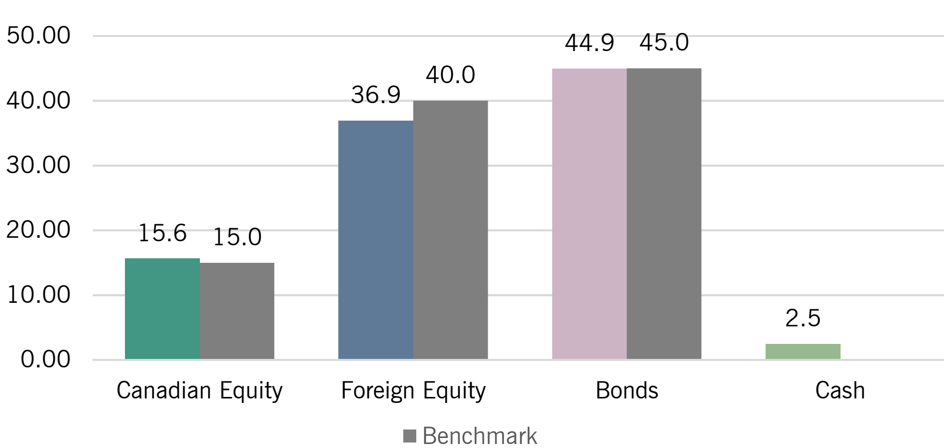
Portfolio Construction

- The portfolio invests in units of three Jarislowsky Fraser Fossil Fuel Free Funds (JF FFF Funds): JF Fossil Fuel Free Global Equity Fund, JF Fossil Fuel Free Canadian Equity Fund, and JF Fossil Fuel Free Bond Fund.
- The JF FFF Funds exclude the GICS® Energy Sector and FTSE Energy Corporate Group, except for renewable energy entities as defined by JFL.
- The Funds also exclude non-energy sector companies:
    - That own operating businesses with material proven thermal coal, oil or gas reserves.
    - That have a significant amount of value attributable directly to the extraction and production of fossil fuels, or indirectly through transportation, distribution, equipment and services.
    - With significant exposure to power generation from fossil fuels. Exceptions may be made where a company has a clear strategy to meaningfully increase the percentage of renewables.
- Green bonds will be emphasized, subject to availability and prudent portfolio diversification objectives.

Performance (Gross %)

As of September 30, 2023	3 MOS.	1 YR	2 YRS	3 YRS	S.I.
UBC FPP FFF Equity & Bond Fund	8.7	17.0	0.3	4.1	8.8
Benchmark	8.4	13.0	0.3	3.6	8.0

Asset Mix (%)



Portfolio Summary

December 31, 2023

Inception date
March 31, 2020

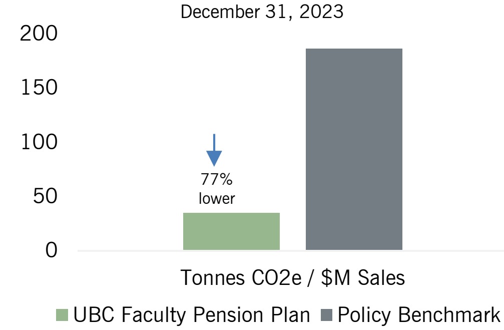
Benchmark
45% FTSE Canada Universe
15% S&P/TSX Composite
40% MSCI World Net Ex. Canada

Top 10 Holdings

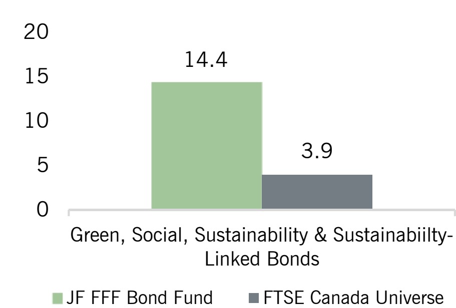
	% of Fund
Microsoft Corporation	2.5
Alphabet Inc.	1.9
Amazon.com Inc.	1.7
United Health Group Inc.	1.5
Nestle S.A.	1.4
Government of Canada (Due 2033)	1.2
Mastercard Inc.	1.2
CPPIB Capital Inc. (Due 2028)	1.2
Bank of Montreal (Due 2027)	1.2
Province of Ontario (Due 2030)	1.2
Total for Top 10	**15.0**

Weighted Average Carbon Intensity (%)

December 31, 2023



Sustainable Finance Bonds (%)



Portfolio Review

Fourth quarter gains contributed to the portfolio's overall outperformance for the full year, which saw significant value-added returns thanks to good performance from bonds and equity asset classes.

Canadian Equities

The Fossil Fuel Free Canadian Equity Fund portfolio posted strong fourth-quarter returns, slightly outperforming the S&P/TSX Composite Index. The portfolio's exclusion in Energy stocks (-1.3%) was a notable contributor to the portfolio's relative returns. WTI declined 20% as the market priced lower demand despite Saudi Arabia extending its aggressive production cut into 2024. Other notable contributors were the overweight position in Consumer Discretionary (+7.3%) and underweight in Materials (+2.1%). For the full calendar year, the portfolio posted very strong returns and substantially outperformed the index. The main contributors to our outperformance were the overweight position in Industrials (+11.9%) and Information Technology (+68.3%), and underweight in Materials (-1.7%), which was partly offset by lower portfolio returns in Consumer Staples (+12.2%). We remained underweight in pure commodity companies, which was a net benefit as the sector underperformed the index.

Global Equities

The Fossil Fuel Free Global Equity Fund portfolio performed in line with its benchmark in a strong market. The portfolio's exclusion in Energy stocks was a positive contributor, coupled with good stock selection. While the contribution from stock selection was broad-based, the portfolio's positioning in Materials (+10.0%) and Consumer Discretionary (+8.5%) were notable sources of outperformance. Amazon (+17%) was a standout performer, with shares continuing to rally on better-than-expected growth in retail revenues, margin expansion and evidence of stabilization at AWS, its leading cloud service business. Construction and infrastructure-exposed companies also saw strong appreciation in the quarter, benefiting our holdings in Swiss chemicals company Sika (+24%) and paints and coatings leader Sherwin-Williams (+20%). For the full calendar year, the portfolio added significant value, outpacing the sharp rally this year in the MSCI World Net index. Outperformance was a function of strong stock selection across the portfolio, with notable contributions from Consumer Discretionary (+32.6%), Health Care (+1.4%) and Communication Services (+42.0%) stocks.

Bonds

For the quarter, the Fossil Fuel Free Bond Fund Portfolio, slightly outperformed its benchmark. Similar to other quarters over the year, the portfolio's overweight position in corporate bonds was by far the largest positive contributor to its outperformance. The yield on corporate bonds declined by a greater amount than on government bonds, which means their outperformance came not only from the additional yield they provide but also from the extra capital gains produced by their greater decline in yield. Given the outperformance of corporate bonds over the past three years and currently less attractive valuations, we have been selectively reducing our risk exposure to corporate bonds in the portfolio.

In terms of its exposure to sustainable finance, the portfolio participated in the $1.5 billion reopening of Ontario's 2032 green bond during the quarter. The projects funded by this issue support two impact categories: Energy Efficiency and Clean Transportation.

UBC FPP FFF Equity & Bond Fund – Q4 2023

Investment Outlook

With markets beginning the 2024 year at elevated levels, some volatility in the next few months would not be surprising given expectations for a soft economic landing and further declines in inflation seem largely priced in. Nevertheless, risks of a more pronounced economic slowdown remain. Anything other than a soft landing, such as a recession or strong growth, may lead to scenarios with more risk and volatility. Furthermore, elections in the US and ongoing geopolitical uncertainty will also add to near-term risks.

Longer term, the US consumer, unlike their Canadian counterpart, is in the best financial shape in years. In addition, monetary and fiscal policy is supportive even if it is biased to be inflationary over the long term. Productivity growth has been strong in the US, and we expect the proliferation of advances in the technology sector to continue that trend. Although gains will be tempered by high valuations in some sectors along with the recent strong gains, the long-term outlook is positive as inflationary pressures have seemingly abated, allowing for a less restrictive monetary framework. We continue to favor conservatively managed businesses that fit our investment criteria and view our quality approach as well suited to the current backdrop.

Holdings as at December 31, 2023. Carbon metrics and reporting generated on January 16, 2024. Portfolio weights are ex cash. Carbon Intensity = t CO_2e/$M USD Sales. Emissions include Scope 1 and Scope 2 Emissions. For portfolio, data availability is 78.7% with 7.2% comprised of MSCI estimates; for benchmark, data availability is 71.1% with 7.8% comprised of MSCI estimates. Weighted Average Carbon Intensity is the recommended metric for Fixed Income portfolios. Policy Benchmark = 45% FTSE Canada Universe Bond, 15% S&P/TSX Composite, 40% MSCI World Ex-Canada Net (C$).