



2013

2013 ENDOWMENT REPORT
UBC INVESTMENT MANAGEMENT TRUST INC.

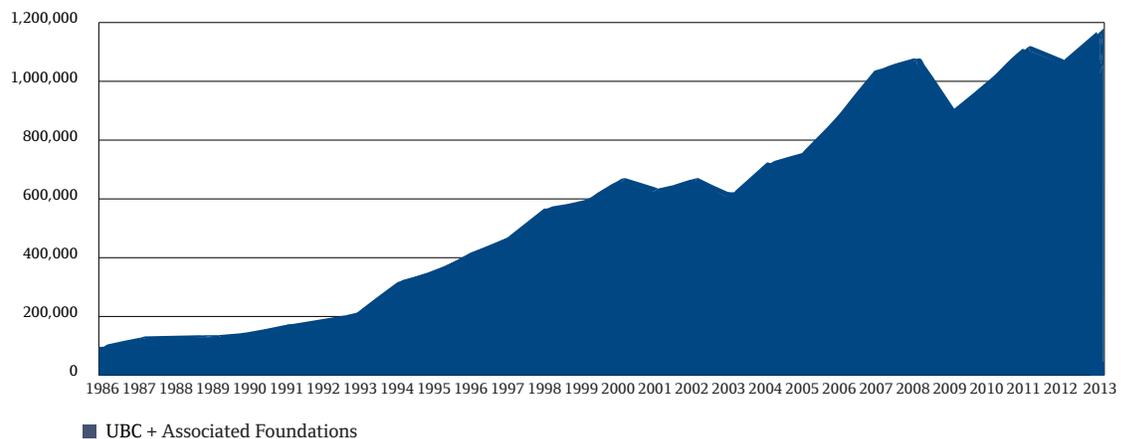
MESSAGE FROM
JAI PARIHAR,
PRESIDENT AND CEO
UBC IMANT

We are pleased to present this update on the performance of the UBC Endowment Fund for the fiscal year ended March 31, 2013.

The Endowment Fund earned a total net return of 10.9% for the year ended March 31, 2013, 30 basis points ahead of the benchmark portfolio return of 10.6% for the year. The market value of the Endowment Fund directly managed by UBC Investment Management Trust Inc. (IMANT) at March 31, 2013 was \$1.045 billion. Including an additional \$117 million historically held at related foundations, the total value of UBC’s Endowment now exceeds \$1.16 billion.

ENDOWMENT FUND GROWTH

\$ Market Value, March 31



ORGANIZATIONAL UPDATE



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President, Pathfinder Asset Management

Larry Blain

Corporate Director

Sarah Boatman

Director, Business Development & Strategy, Microsoft Games Studios

Martin Glynn

Corporate Director

Paul Haggis

Corporate Director

Brian Kenning

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UBC Board of Governors*

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*Vice President, Finance,
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Corporate Director*

Jay Parker

*Executive Director,
UBC Staff Pension Board*

Cheryl Yaremko

*Executive VP Finance & Chief
Financial Officer, BC Hydro*

2012/13 was another very busy year for the Board and staff of IMANT. Some significant restructuring of the Fund was implemented during the year in the public equity space with the hiring of two new investment managers whose mandates seek to reduce overall portfolio volatility while still generating market returns.

Another major project undertaken during the year was a review of the long term policy asset mix for the Endowment to confirm the sustainability of the Fund's 3.5% spend rate in the current market environment. As an outcome of the review, a new long term policy asset mix was recommended by the IMANT Board and approved by the Board of Governors subsequent to year-end.

I would like to thank our Board for their dedication and efforts throughout the year. To our associates and friends in the greater UBC community, we look forward to continuing to work for you and welcome any questions or issues you wish to discuss.

Sincerely,

UBC Investment Management Trust Inc. (IMANT)

A handwritten signature in black ink, appearing to read 'J. Parihar', written in a cursive style.

Jai Parihar

President and Chief Executive Officer

July 2013



ABOUT IMANT

IMANT was established as a wholly owned subsidiary of UBC in 2003 to provide comprehensive portfolio management services and related advice to UBC for the Endowment Fund and other university related assets (Staff Pension Plan, Working Capital and other funds). Today, IMANT is

responsible for \$2.6 billion of assets under management invested using a manager of managers approach.

IMANT's Board of Directors includes eight unrelated Directors and three UBC related Directors.

2012/13 IN REVIEW & ACTIVITY

Implementation of the asset mix approved by the UBC Board of Governors for the Endowment in 2010 continued throughout the year. For public equities, new mandates were added in Emerging Markets, both active and low volatility strategies, bringing the total investment to the 10% target weight. Additionally, the global low volatility equity strategy was funded in the summer.

Further commitments to infrastructure and real estate funds were made during the year. At year-end the real estate weight was lower than targeted as distributions

from some of the older existing funds were received. The ultimate goal is to achieve the target weight over a multi-year time frame for vintage year diversification. The company also continued to explore opportunities to partner with or access funds managed by larger institutional investors with the view to benefit from their expertise, access to quality assets and lower fee structure.

Finally, redemptions from the existing hedge fund investments continued, ending the year at a 1% weight.

INVESTMENT POLICY PORTFOLIO

ASSET CLASS	BENCHMARK	INVESTMENT POLICY	ACTUAL MIX AT MARCH 31 2013
Cash	DEX 91-Day T-Bill	% 2.0	% 1.1
Bonds	DEX Universe Bond	18.0	17.7
Total Fixed Income		20.0	18.8
Canadian Equity	S&P TSX Composite	22.5	22.8
US Equity ⁽¹⁾	S&P 500 TR (Cdn)	11.25	9.7
EAFE Equity ⁽¹⁾	MSCI EAFE Net (Cdn)	11.25	8.3
Global Equity ⁽¹⁾	MSCI World Net (Cdn)	---	7.3
Emerging Market Equity	MSCI Emerging (Cdn)	10.0	10.3
Total Public Equity		55.0	58.4
Hedge Funds	HFRI Fund of Funds Conservative (Cdn)	0.0	1.0
Private Equity ⁽²⁾	MSCI World Net (Cdn)+2%	10.0	11.5
Real Estate ⁽²⁾	IPD Canada	10.0	6.3
Infrastructure ⁽²⁾	30% DEX RRB/70% MSCI World Net (Cdn)	5.0	4.0
Total Alternatives		25.0	22.8
Total Fund		% 100.0	% 100.0

(1) Global mandate added during the year, subsequent to year end the benchmark for US and EAFE equities was amended to MSCI World Net (Cdn).

(2) These returns are lagged 3 months to correspond to reporting periods for the managers.

A major project for the last half of the year was to undertake a long term asset mix review. Given the market volatility of the past few years, the university was seeking confirmation of the sustainability of the 3.5% spend rate. Working with an external consultant, considerable time was spent on establishing the return expectations, reviewing additional asset classes, stress testing the resulting asset mix options and evaluating potential risk factors.

A new long term policy asset mix was recommended by the IMANT Board and approved by the UBC Board of

Governors subsequent to year-end. In general, the asset mix options analyzed in the study showed equal or greater expected returns than the current mix with less volatility, and did support the 3.5% spend rate while covering inflation and expenses.

Another focus during the year was enhancing the portfolio's risk reporting. Reports were developed that highlight sector, geographic, credit and issuer exposures across all asset classes. Continuing enhancements will better allow management and the Board to understand sources of risk in the portfolio.

FUND INVESTMENT PERFORMANCE IN FISCAL 2012/13

For the endowment to be sustainable and achieve inter-generational equity, the long-term returns must equal or exceed the sum of the annual university spend rate of 3.5%, the annual change in Canadian Consumer Price Index and the administrative charge. This objective was met in 2012/13, and with the elimination of the

market downturn of 2008/09 (-20.9%), over the four year period, the Fund has also met this objective. It should be noted that the spend rate was moved to 3.5% for fiscal 2009/10, prior to then a 5% spending policy was in place and is reflected in the 10 year required return.

ANNUALIZED TO MARCH 31	1 YEAR	2 YEAR	3 YEAR	4 YEAR	10 YEAR
Actual returns	10.9%	6.9%	8.2%	9.6%	6.1%
UBC's required return ⁽¹⁾	5.2%	5.7%	6.4%	6.3%	7.3%

(1) For 2012/13 3.5% + 1.0% + 0.65%

The Endowment return of 10.9% is 30 basis points ahead of the benchmark portfolio return of 10.6% for the year. Over the four year and 10 year periods the Fund lags the benchmark portfolio by roughly 40 basis points. The Investment Policy Benchmark return is the weighted

average of the individual asset class returns where the weights are the policy asset class allocation. As the Fund was transitioning to the targeted policy, these weights are adjusted during the year.

ANNUALIZED TO MARCH 31	1 YEAR	2 YEAR	3 YEAR	4 YEAR	10 YEAR
Actual returns	10.9%	6.9%	8.2%	9.6%	6.1%
Investment policy benchmark	10.6%	6.0%	7.1%	10.0%	6.5%
Value added	0.3%	0.9%	1.1%	-0.4%	-0.4%

PERFORMANCE BY ASSET CLASS

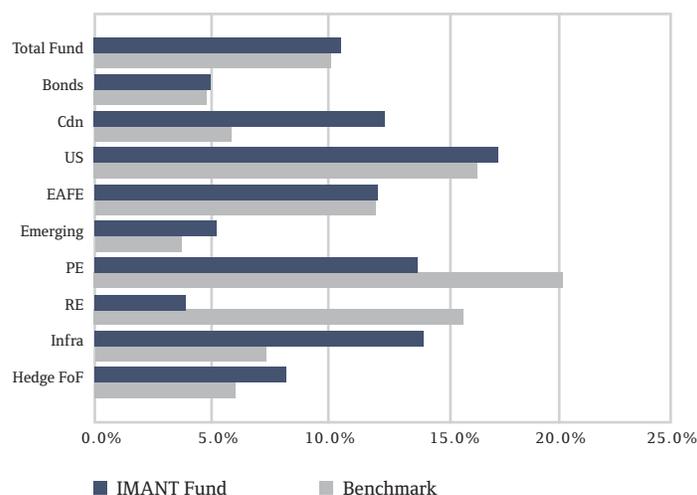
The past fiscal year was again a strong one for US and International public equity markets, however Canada and Emerging Markets were much weaker. With slower growth in Emerging Markets over the past year, the Canadian equity market was impacted as the demand for commodities waned. Fortunately the Endowment's Canadian equity managers performed very well, with all three managers well ahead of the TSX/S&P benchmark. In general all the Fund's public market managers, fixed income and equity, were ahead of their respective benchmarks.

The results for the alternative strategies were mixed and below their individual asset class benchmarks. In the case of the private equity investments, the 14.7% return was good, but lagged a strong global benchmark (MSCI World plus 2%). The real estate investments were impacted by some of the non-Canadian investments that still have not recovered from the global financial crisis (US and Asian) as well as currency moves. For Infrastructure, again a very strong benchmark (a blend of fixed income and global equities) was difficult to beat.

The chart highlights the Fund's performance by individual asset class relative to the Board approved benchmarks.

ONE YEAR PERFORMANCE

to March 31, 2013



It should be noted that for the private equity, real estate and infrastructure investments, the returns and their benchmarks are lagged three months to reflect the timing of when the quarterly investment results are received from the managers.