# Sun Life Assurance Company of Canada
# UBC Faculty Pension Plan
# Fossil Fuel Free Equity and Bond Fund
*Portfolio managed by PH&N Institutional*

This portfolio is designed to enable investors to exclude securities of issuers directly engaged in the extraction, processing and transportation of fossil fuels such as coal, oil and natural gas, while investing primarily in a well-diversified portfolio. The investment manager follows a long-term investment approach focused on high quality companies and maximizing returns-for-risk-taken. When evaluating prospective investments, the investment teams consider material environmental, social and governance (ESG) factors in their investment analysis from both a risk and reward perspective.

## Portfolio Construction

The portfolio invests in units of three “fossil fuel free” funds that exclude securities of issuers directly engaged in the extraction, processing and transportation of fossil fuels such as coal, oil and natural gas; and securities of issuers listed in The Carbon Underground 200:

- **RBC Vision Fossil Fuel Free Bond Fund**
- **RBC Vision QUBE Fossil Fuel Free Low Volatility Canadian Equity Fund**
- **RBC Vision Fossil Fuel Free Global Equity Fund**

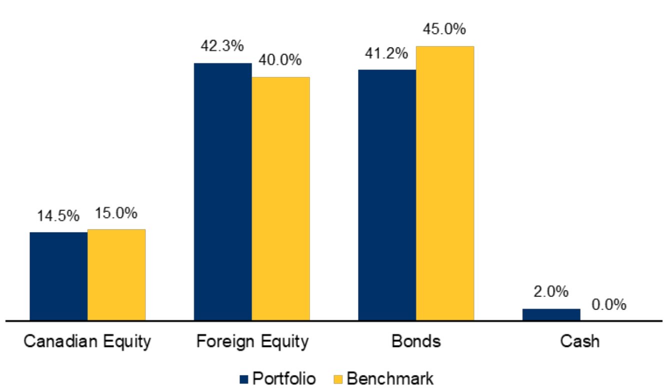
From time to time, an RBC Vision Fund may depart from its exclusion list when the investment manager has determined that it would be in the best interest of the fund to do so, such as when the exclusion list is based on data that has been rendered inaccurate or incomplete by subsequent developments or events.

## Performance (Gross)

| | *3 mos* | *Since inception* |
|---|---|---|
| UBC Faculty Pension Plan<br>Fossil Fuel Free Equity & Bond Fund<br>*Portfolio managed by PH&N Institutional* | 5.65% | 9.26% |
| Benchmark | 5.06% | 11.37% |

*Total returns are gross of fees and reported in Canadian dollars.*
*Periods less than one year are not annualized*

## Reference Asset Mix




## Portfolio Summary
*As at March 31, 2024*

**Inception Date**
January 27, 2023

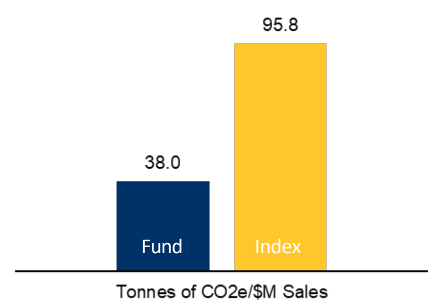
**Benchmark**

| | |
|---|---|
| 45% | FTSE Canada Universe Bond Index |
| 15% | S&P/TSX Composite Index |
| 40% | MSCI World Net ex Canada Index |

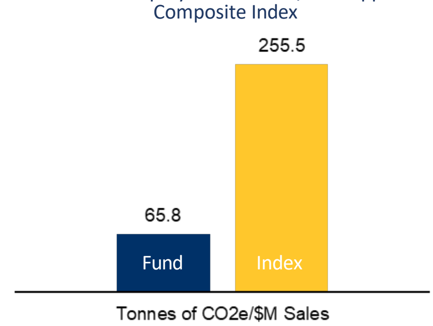
| **Top 10 Holdings** | *% of Fund* |
|---|---|
| Gov of Canada (03/01/2029) | 5.57 |
| Gov of Canada (05/01/2026) | 3.59 |
| Microsoft Corporation | 2.58 |
| Gov of Quebec (09/01/2033) | 2.51 |
| Gov of Quebec (09/01/2032) | 2.29 |
| Alphabet Inc | 2.28 |
| Gov of Ontario (06/02/2043) | 2.12 |
| Amazon.com Inc | 2.06 |
| Nvidia Corporation | 2.05 |
| United Health Group Inc | 1.98 |
| **Total for Top 10** | **27.03** |

## Weighted Average Carbon Intensity (%)
*See over for related disclosure*

RBC Vision Fossil Fuel Free Global Equity Fund vs MSCI World Total Return Net Index (CAD)




RBC Vision QUBE Fossil Fuel Free Low Volatility Canadian Equity Fund vs S&P/TSX Capped Composite Index



## Q1 2024 Commentary

**Bonds:** Government of Canada (GoC) bond yields rose modestly over the quarter, while credit spreads were broadly tighter on the back of improved investor risk sentiment. Against this backdrop, The RBC Vision Fossil Fuel Free Bond Fund (-1.25%) slightly underperformed the FTSE Canada Universe Bond Index (-1.22%). This slight under performance was mostly driven by the funds yield curve positioning, as the fund was positioned to benefit from a steepening of the yield curve; which didn't materialize during the quarter. Partially offsetting the negative impact from yield curve, investment grade corporate bonds were a small positive contributor to relative performance as the benefits of spread tightening outweighed the impact of security selection decisions.

**Canadian Equities:** Major developed equity markets continued to rally during the first quarter of 2024, building on momentum from 2023 and propelling major indices to record highs. The stock market's performance was supported by resilient economic data and expectations that corporate earnings growth will regain momentum. The RBC Vision QUBE Fossil Fuel Free Low Volatility Canadian Equity Fund (6.32%) posted a positive return but underperformed the S&P/TSX Composite Index (6.62%). Importantly, the fund also continued to deliver on its objective of delivering lower risk compared to traditional equity allocations. At a sector level, 9/11 sectors contributed to positive absolute performance, led by Industrials and Financials.

**Global Equities:** Global equity markets recorded their best quarter of performance since 2020, extending last quarter's rally as investors became increasingly confident that interest rates have peaked, inflation remains on a path towards 2%, and the economy can manage a soft landing. The rally in stocks, which began in late-October 2023, was initially led by a handful of U.S. mega-cap technology stocks but ultimately broadened to include more areas. Nevertheless, Info Tech remained the best-performing sector over the period. Against this backdrop, the RBC Vision Fossil Fuel Free Global Equity Fund (13.32%) outperformed the MSCI World Total Return Net Index (CAD) (11.74%). In terms of sector performance, Information Technology and Consumer Discretionary were the largest contributors to relative returns, while Consumer Staples and Financials detracted the most.

## Outlook

**Bonds:** The bond market is pricing in a meaningful decline in short-term yields over the next 12 months, while long-term yields are expected to fall relatively less. Heading into the year, markets were pricing in a significant amount of policy rate cuts for 2024, with the first anticipated as early as March. While that enthusiasm has since diminished, most major central banks deem some degree of cutting appropriate over the short term, but it will be highly dependent on economic data evolving in line with their projections.

**Canadian Equities:** The portfolio remains positioned in profitable, high-quality companies that exhibit stability in weak markets, and we remain confident that the strategy will protect capital in the event of further volatility, while also being able to participate well should markets continue to stabilize from here. These businesses continue to be situated for long-term success and we're encouraged by the outlook as we move forward.

**Global Equities:** While stocks have surged as investors embraced the improved odds of an economic soft landing, demanding valuations in U.S. large-cap stocks may limit upside potential. Given more moderate returns, most major equity markets outside of the U.S. are trading at attractive levels relative to our modelled fair value. With respect to the U.S., many investors are concerned that the "Magnificent 7" is in a bubble given the group's extraordinary gains. We note that these stocks are benefiting from trends in artificial intelligence and are not necessarily overpriced, as long as their earnings can continue to grow at a fast pace. That said, elevated valuations in U.S. large-cap stocks in general means that achieving decent returns on the S&P 500 Index will now require that solid earnings growth and heightened investor confidence be sustained.