

# Queen's Pension Plan

## Quarterly Investment Report



September 2015

### CAPITAL MARKETS

Returns on investments in the various markets can be measured against a series of well-established indices. Index returns (in C\$) for the 3-month and 12-month periods ending September 30, 2015 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	-7.9	-8.4
MSCI World (Global Stocks ex Canada)	-1.3	15.5
FTSE TMX Universe (Canada Bonds)	0.2	5.3
91 Day T-Bills (Treasury Bills)	0.2	0.8

### POLICY ASSET MIX

The policy asset mix has been developed by the Pension Committee of the Board of Trustees. This is a long-term strategy mix which is used as a "benchmark" when measuring performance.

The September 30, 2015 market value of the Queen's Pension Plan (QPP) is approximately \$1.7 billion and can be broken down as follows:

Asset Class	Policy Mix (%)	Current Mix (%)
Canadian Equities	20.0	20.4
Global Equities (ex-Canada)	33.0	35.2
Fixed Income	37.0	33.8
Real Estate	5.0	5.1
Infrastructure	5.0	5.4
Cash & Other	0.0	0.1

### PERFORMANCE OF QPP

#### Relative to Other Pension Plans

The QPP was down 3.7% over the third quarter. The four-year return of 10.9% and ten-year return of 6.1% were both near the median of BNY Mellon's universe of Canadian pension funds. The quartile breaks for BNY Mellon's universe are as follows:

	3 Mo	1 Yr	4 Yr	10 Yr
1 <sup>st</sup> Quartile (%)	-1.0	7.8	11.7	6.8
Median (%)	-2.0	5.9	10.8	6.3
3 <sup>rd</sup> Quartile (%)	-2.7	4.0	9.9	5.9

#### Relative to the Benchmark

The fund's long-term performance has been strong, with a 15-year return that is well ahead of the benchmark.

	3 Mo	1 Yr	4 Yr	10 Yr	15 Yr
Fund Return (%)	-3.7	2.6	10.9	6.1	6.3
Benchmark (%)	-2.7	6.3	9.9	5.8	5.4
Excess Return (%)	-1.0	-3.7	1.0	0.3	0.9

*Note: returns for periods of one year and less are for the actual period; returns for four years, ten years, and fifteen years are annualized. Returns are reported gross of fees.*

### GENERAL COMMENTS

- Equity markets declined in the third quarter amid worries over the impact of the Chinese slowdown on global economic growth and a further decline in the price of oil. The Canadian equity market fell 7.9% as two of the largest sectors, Materials (-24.5%) and Energy (-17.2%), weighed on performance. Globally, no major equity markets delivered positive returns during the period.

- The Canadian economy entered a technical recession which caused the Bank of Canada to cut its overnight rate by 25 basis points for the second time in 2015. The FTSE/TMX Canada Universe Bond Index increased 0.2% on a total return basis. Credit and Provincial sectors underperformed the index while the Government of Canada sector outperformed.

- The U.S. Federal Reserve decided not to raise interest rates at its September meeting citing concerns over global growth and possible deflationary pressures. Despite financial market turmoil, growth in the U.S. remained solid.

- We hedge approximately 50% of our USD and Euro exposures back to Canadian dollars. The Canadian dollar depreciated against the U.S. dollar during calendar Q3, closing the quarter at 74.9 cents U.S., down 6.4% from the June 30, 2015 closing value of 80.1 cents U.S.