

Queen's Pension Plan

Quarterly Investment Report



March 2018

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 March 31, 2018 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	-4.5	1.7
MSCI World (Global Stocks ex Can Net)	1.8	10.1
FTSE TMX Universe (Canada Bonds)	0.1	1.4
91 Day T-Bills (Treasury Bills)	0.3	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 March 31, 2018 market value of the Queen's Pension Plan (QPP) is approximately \$2.1 billion and can be broken down as follows:

Asset Class	Policy Mix (%)	Current Mix (%)
Canadian Equities	20.0	18.9
Global Equities (ex-Canada)	33.0	35.1
Fixed Income/Cash	37.0	35.7
Real Estate	5.0	5.4
Infrastructure	5.0	4.6
Cash & Other	0.0	0.3

PERFORMANCE OF QPP

Relative to Other Pension Plans

The QPP returned -0.4% for the quarter. The ten-year return of 6.8% was slightly below 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 st Quartile (%)	0.9	8.0	8.5	7.4
Median (%)	0.4	6.9	7.9	7.0
3 rd Quartile (%)	-0.2	5.5	6.9	6.4

Relative to the Benchmark

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

	3 Mo	1 Yr	4 Yr	10 Yr	15 Yr
Fund Return (%)	-0.4	6.5	7.4	6.8	8.5
Benchmark (%)	-0.1	4.8	7.5	6.1	7.7
Excess Return (%)	-0.3	1.7	-0.1	0.7	0.8

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.

QUARTERLY COMMENTARY

- The Canadian equity market experienced a bout of volatility in Q1 with the S&P/TSX declining 4.5%. Nine out of eleven sectors posted negative results with Health Care (-13.5%), Energy (-9.4%), and Telecommunications (-6.7%) being the worst performing sectors. Information Technology (+10.2%) was the top performing sector.

- The Bank of Canada increased its overnight rate by 25 basis points to 1.25% on January 17, 2018. The FTSE/TMX Canada Universe Bond Index was nearly flat, advancing 0.1% on a total return basis as the Canadian yield curve flattened slightly. The 10-year yield increased 5 basis points to 2.09% and 2-year bond yields rose 9 basis points to 1.77%.

- U.S. equity markets delivered negative returns with the S&P 500 declining 0.8% in U.S. dollar terms. The U.S. Federal Reserve raised short-term rates by 25 basis points on March 21st to a range of 1.50-1.75%. Outside the U.S., most major global equity indices also posted losses. The MSCI Emerging Markets Index returned 0.8% in local currency terms, outperforming most developed markets.

- Approximately 50% of the QPP's USD and Euro exposure is hedged to Canadian dollars. The Canadian dollar depreciated against the U.S. dollar in Q1, closing the quarter at 77.6 cents U.S., down 2.7% from the December 31, 2017 closing value of 79.7 cents U.S.