

Queen's Pension Plan

Quarterly Investment Report



June 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 June 30, 2018 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	6.8	10.4
MSCI World (Global Stocks ex Can Net)	3.7	12.6
FTSE TMX Universe (Canada Bonds)	0.5	0.8
91 Day T-Bills (Treasury Bills)	0.3	1.0

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 June 30, 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	19.9
Global Equities (ex-Canada)	33.0	34.9
Fixed Income/Cash	37.0	34.9
Real Estate	5.0	5.5
Infrastructure	5.0	4.7
Cash & Other	0.0	0.1

PERFORMANCE OF QPP

Relative to Other Pension Plans

The QPP returned 2.7% for the quarter. The one-year return of 8.1% was above the median of BNY Mellon's universe of Canadian pension funds while the ten-year return of 7.1% was in line with the median. The quartile breaks for BNY Mellon's universe are as follows:

	3 Mo	1 Yr	4 Yr	10 Yr
1 st Quartile (%)	2.7	8.5	8.3	7.6
Median (%)	2.2	7.6	7.5	7.1
3 rd Quartile (%)	1.6	6.2	6.7	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 (%)	2.7	8.1	7.2	7.1	8.1
Benchmark (%)	2.5	6.3	7.3	6.2	7.3
Excess Return (%)	0.2	1.8	-0.1	0.9	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 rebounded in Q2 with the S&P/TSX advancing 6.8% (2.0% YTD). Ten out of eleven sectors posted positive returns with Energy (+15.8%), Health Care (+14.3%), and Technology (+10.9%) being the top performing sectors. Utilities (-0.4%) was the only underperforming sector. On a year-to-date basis, the top performing sector is Technology (+22.2%).

- The FTSE/TMX Canada Universe Bond Index returned 0.5% as the Canadian yield curve continued to flatten. The 10-year yield increased 8 basis points to 2.17% and 2-year bond yields rose 14 basis points to 1.91%.

- U.S. equity markets delivered positive returns with the S&P 500 advancing 3.4% in U.S. dollar terms (2.7% YTD). Outside the U.S., most major developed global markets' indices posted positive returns, with FTSE 100 being the top performer (+9.6%). The MSCI Emerging Markets Index declined 3.4% in local currency terms, significantly underperforming all developed markets. The U.S. Federal Reserve raised short-term rates by 25 basis points on June 13th to a range of 1.75-2.00%.

- 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 Q2, closing the quarter at 75.9 cents U.S., down 2.2% from the March 31, 2018 closing value of 77.6 cents U.S.