

# Queen's Pension Plan

## Quarterly Investment Report



September 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 September 30, 2018 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	-0.6	5.9
MSCI World (Global Stocks ex Can Net)	3.3	15.3
FTSE TMX Universe (Canada Bonds)	-1.0	1.7
91 Day T-Bills (Treasury Bills)	0.3	1.2

### 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, 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	19.6
Global Equities (ex-Canada)	33.0	35.5
Fixed Income/Cash	37.0	34.0
Real Estate	5.0	5.6
Infrastructure	5.0	4.8
Cash & Other	0.0	0.6

### PERFORMANCE OF QPP

#### Relative to Other Pension Plans

The QPP returned 1.2% for the quarter, performing in the first quartile of the median of BNY Mellon's universe of Canadian pension funds. The one-year return of 7.4% was in line with the median while the ten-year return of 8.3% was slightly above the median. The quartile breaks for BNY Mellon's universe are as follows:

	3 Mo	1 Yr	4 Yr	10 Yr
1 <sup>st</sup> Quartile (%)	0.9	8.5	8.2	8.6
Median (%)	0.4	7.4	7.4	8.2
3 <sup>rd</sup> Quartile (%)	-0.2	6.4	6.6	7.6

#### 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 (%)	1.2	7.4	7.5	8.3	7.9
Benchmark (%)	1.4	7.4	7.2	7.4	7.2
Excess Return (%)	-0.2	0.0	0.3	0.9	0.7

*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 edged downward in Q3 with the S&P/TSX declining 0.6% (+1.4% YTD). Six out of eleven sectors posted positive returns with Health Care (+31.4%) and Industrials (+5.6%), being the top performing sectors. Materials (-12.9%), Consumer Discretionary (-8.0%) and Energy (-5.7%) performed the worst. On a year-to-date basis, the top performing sector is Health Care (+29.9%).

- The Bank of Canada increased its overnight rate by 25 basis points to 1.5% on July 11<sup>th</sup>. The FTSE/TMX Canada Universe Bond Index declined 1.0% as yields rose across the Canadian yield curve. The 10-year yield increased 25 basis points to 2.42% and 2-year bond yields rose 30 basis points to 2.21%.

- U.S. equity markets delivered positive returns with the S&P 500 advancing 7.7% in U.S. dollar terms (10.6% YTD). The U.S. Federal Reserve raised short-term rates by 25 basis points on September 26<sup>th</sup> to a range of 2.00-2.25%. Outside the U.S., major global equity indices posted mixed returns. The NIKKEI 225 returned +8.9% in local currency terms, outperforming other developed markets on the weakening yen.

- Approximately 50% of the QPP's USD and Euro exposure is hedged to Canadian dollars. The Canadian dollar appreciated against the U.S. dollar in Q3, closing the quarter at 77.3 cents U.S., up 1.7% from the June 30, 2018 closing value of 75.9 cents U.S.