

Queen's Pension Plan

Quarterly Investment Report



June 2019

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, 2019 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	2.6	3.9
MSCI World (Global Stocks ex Can Net)	1.7	5.7
FTSE Canada Universe (Canada Bonds)	2.5	7.4
91 Day T-Bills (Treasury Bills)	0.4	1.6

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, 2019 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	16.0	16.2
Global Equities (ex-Canada)	37.0	33.9
Fixed Income/Cash	37.0	38.8
Real Estate	5.0	5.7
Infrastructure	5.0	4.8
Cash & Other	0.0	0.6

PERFORMANCE OF QPP

Relative to Other Pension Plans

The QPP returned 1.6% for the quarter. The ten-year return of 9.0% was in line with 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 (%)	3.0	7.6	7.4	9.5
Median (%)	2.3	6.1	6.9	9.0
3 rd Quartile (%)	1.8	5.1	6.1	8.2

Relative to the Benchmark

The fund's long-term performance has been strong, with its 15-year return outperforming the benchmark.

	3 Mo	1 Yr	4 Yr	10 Yr	15 Yr
Fund Return (%)	1.6	3.7	6.4	9.0	7.3
Benchmark (%)	3.5	7.5	6.4	8.4	6.9
Excess Return (%)	-1.9	-3.8	0.0	0.6	0.4

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 was range-bound through Q2 with the S&P/TSX advancing 2.6% (+16.2 YTD). Seven out of 11 sectors of the index posted positive returns. The top performing sector was Technology (+14.3%), followed by Utilities and Materials (+5.4% each). Health Care (-9.3%) was the worst performing sector.

- The Bank of Canada held the overnight interest rate constant at both meetings in Q2. The FTSE Canada Universe Bond Index advanced 2.5% as bond yields fell and the yield curve flattened. The 2-year and 10-year yields decreased 8 and 16 basis points to 1.47% and 1.46%, respectively.

- U.S. equity markets experienced bouts of volatility over the quarter. The S&P 500 gained 4.3% in U.S. dollar terms (+18.5% YTD). Ten out of 11 sectors of the index posted positive returns, with Financials (+8.0%) and Materials (+6.3%) performing the best. Outside the U.S., most major global equity markets posted positive returns. MSCI Europe Index returned 4.6% and MSCI Emerging Markets Index was nearly flat, advancing 0.3%.

- 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 Q2, closing the quarter at 76.4 cents U.S., up 2.1% from the March 31, 2019 closing value of 74.8 cents U.S.