

Queen's Pension Plan

Quarterly Investment Report



September 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 September 30, 2019 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	2.5	7.1
MSCI World (Global Stocks ex Can Net)	1.9	4.3
FTSE Canada Universe (Canada Bonds)	1.2	9.7
91 Day T-Bills (Treasury Bills)	0.4	1.7

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, 2019 market value of the Queen's Pension Plan (QPP) is approximately \$2.2 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	34.3
Fixed Income/Cash	37.0	38.5
Real Estate	5.0	5.7
Infrastructure	5.0	4.9
Cash & Other	0.0	0.4

PERFORMANCE OF QPP

Relative to Other Pension Plans

The QPP returned 1.4% for the quarter. The four-year return of 7.8% 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 (%)	2.0	9.3	8.5	8.9
Median (%)	1.7	7.6	7.8	8.4
3 rd Quartile (%)	1.3	5.9	6.9	7.7

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 (%)	1.4	4.0	7.8	8.2	7.3
Benchmark (%)	1.5	7.6	7.5	7.8	6.9
Excess Return (%)	-0.1	-3.6	0.3	0.4	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 volatile in Q3 and the S&P/TSX advanced 2.5% (+19.1% YTD). Nine out of 11 sectors of the index posted positive returns. The top performing sector was Utilities (+10.1%), followed by Real Estate (+8.5%) and Consumer Staples (+5.8%). Health Care (-30.0%) was the worst performing sector.

- The Bank of Canada held the overnight interest rate constant at both meetings in Q3. The FTSE Canada Universe Bond Index advanced 1.2% as Canadian short-term and long-term rates diverged. The 2-year yield increased 11 basis points to 1.58% and 10-year yields decreased 9 basis points to 1.37%.

- U.S. equity markets were highly volatile, reaching record territory as the S&P 500 rose 1.7% in U.S. dollar terms (+20.6% YTD). Eight out of 11 sectors of the index posted positive returns, with Utilities (+9.3%) and Real Estate (+7.7%) performing the best. The U.S. Federal Reserve cut its target interest rate twice during Q3 to a range of 1.75% to 2.00%. Outside the U.S., major global equity markets posted mixed returns. MSCI World Index returned 0.7%, MSCI EAFE Index lost 1.0% and MSCI Emerging Markets Index declined 4.1%.

- 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 Q3, closing the quarter at 75.5 cents U.S., down 1.2% from the June 30, 2019 closing value of 76.4 cents U.S.