

Queen's Pension Plan

Quarterly Investment Report



December 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 December 31, 2019 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	3.2	22.9
MSCI World (Global Stocks ex Can Net)	6.5	21.2
FTSE Canada Universe (Canada Bonds)	-0.9	6.9
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 December 31, 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	16.3
Global Equities (ex-Canada)	37.0	35.8
Fixed Income	37.0	36.8
Real Estate	5.0	5.7
Infrastructure	5.0	4.9
Cash & Other	0.0	0.5

PERFORMANCE OF QPP

Relative to Other Pension Plans

The QPP returned 3.3% for the quarter, placing it in the top quartile of BNY Mellon's universe of Canadian pension funds, while the four-year return of 7.7% was in the second quartile. The quartile breakdown for BNY Mellon's universe is as follows:

	3 Mo	1 Yr	4 Yr	10 Yr
1 st Quartile (%)	3.0	15.7	8.4	8.9
Median (%)	2.5	13.9	7.5	8.5
3 rd Quartile (%)	1.5	12.3	6.5	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 (%)	3.3	13.9	7.7	8.3	7.1
Benchmark (%)	2.7	15.6	7.4	7.9	6.8
Excess Return (%)	0.6	-1.7	0.3	0.4	0.3

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 continued to advance in Q4 as the S&P/TSX gained 3.2% (+22.9% for the full year). Seven out of 11 sectors of the index posted positive returns. The top performing sector was Information Technology (+10.8%), followed by Materials (+7.8%) and Energy (+7.1%). Health Care (-5.9%) was the worst performing sector.

- The Bank of Canada held the overnight interest rate constant at both meetings in Q4. The FTSE Canada Universe Bond Index declined 0.9% as bond yields increased, normalizing the yield curve. The 2-year yield rose 11 basis points to 1.69% and 10-year yield surged 33 basis points to 1.70%.

- U.S. equity markets continued to climb to new highs as the S&P 500 advanced 9.1% in Q4 and 31.5% for the full year in U.S. dollar terms. Ten out of 11 sectors of the index posted positive returns, with Information Technology and Health Care performing the best (+14.4% each). The U.S. Federal Reserve cut its target interest rate in October to a range of 1.50% to 1.75%. Outside the U.S., major global equity markets posted significant gains. MSCI Emerging Markets Index returned 9.6%, MSCI World Index advanced 7.6% and MSCI EAFE Index gained 5.2%.

- 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 Q4, closing the quarter at 77.0 cents U.S., up 2.0% from the September 30, 2019 closing value of 75.5 cents U.S.