

Queen's Pension Plan

Quarterly Investment Report



March 2020

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 March 31, 2020 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	-20.9	-14.2
MSCI World (Global Stocks ex Can Net)	-13.1	-4.2
FTSE Canada Universe (Canada Bonds)	1.6	4.5
91 Day T-Bills (Treasury Bills)	0.7	1.9

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 March 31, 2020 market value of the Queen's Pension Plan (QPP) was approximately \$2.0 billion and can be broken down as follows:

Asset Class	Policy Mix (%)	Current Mix (%)
Canadian Equities	16.0	14.1
Global Equities (ex-Canada)	37.0	36.8
Fixed Income	37.0	37.9
Real Estate	5.0	6.4
Infrastructure	5.0	5.2
Cash & Other	0.0	-0.4

PERFORMANCE OF QPP

Relative to Other Pension Plans

The QPP returned -10.4% for the quarter. The quartile breakdown for BNY Mellon's universe of Canadian pension funds was as follows:

	3 Mo	1 Yr	4 Yr	10 Yr
1 st Quartile (%)	-5.7	0.9	6.3	7.9
Median (%)	-7.2	-1.1	5.4	7.2
3 rd Quartile (%)	-9.2	-2.7	4.8	6.7

Relative to the Benchmark

The fund's long-term performance has been strong, with its 10-year and 15-year returns outperforming the benchmark.

	3 Mo	1 Yr	4 Yr	10 Yr	15 Yr
Fund Return (%)	-10.4	-4.6	4.8	6.9	6.1
Benchmark (%)	-7.9	-0.7	5.3	6.8	6.0
Excess Return (%)	-2.5	-3.9	-0.5	0.1	0.1

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

- Equity markets crashed around the globe in Q1, driven by the spread of COVID-19, crashing oil prices and fears of a global recession. In Canada, the S&P/TSX plummeted 20.9% and all 11 sectors of the index posted negative returns. The worst performers were Energy and Health Care (-37.2% each), followed by Consumer Discretionary (-32.8%).

- The Bank of Canada cut its overnight rate three times during the quarter by a total of 150 basis points to 0.25%. The FTSE Canada Universe Bond Index advanced 1.6% as bond yields dropped. The 2-year yield tumbled 127 basis points to 0.42% and 10-year yield fell 99 basis points to 0.71%.

- U.S. equity markets plunged as the S&P 500 fell 19.6% in Q1 and all 11 sectors of the index posted negative returns. Energy (-50.5%) and Financials (-32.0%) were the biggest detractors. The U.S. Federal Reserve cut its target interest rate twice during the quarter to a range of 0% to 0.25%. Outside the U.S., major global equity markets posted significant losses. The MSCI EAFE Index dropped 20.4%, the MSCI World Index declined 20.0% and the MSCI Emerging Markets Index fell 19.0%.

- 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 Q1, closing the quarter at 70.5 cents U.S., down 8.4% from the December 31, 2019 closing value of 77.0 cents U.S.