

# Queen's Pension Plan

## Quarterly Investment Report



December 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 December 31, 2020 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	9.0	5.6
MSCI World (Global Stocks ex Can Net)	8.7	14.2
FTSE Canada Universe (Canada Bonds)	0.6	8.7
91 Day T-Bills (Treasury Bills)	0.0	0.9

### 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 December 31, 2020 market value of the Queen's Pension Plan (QPP) was approximately \$2.4 billion and can be broken down as follows:

Asset Class	Policy Mix (%)	Current Mix (%)
Canadian Equities	16.0	16.4
Global Equities (ex-Canada)	37.0	39.9
Fixed Income	37.0	33.6
Real Estate	5.0	4.9
Infrastructure	5.0	4.4
Cash & Other	0.0	0.7

### PERFORMANCE OF QPP

#### Relative to Other Pension Plans

The QPP returned 7.4% for the quarter, placing it in the first quartile of BNY Mellon's universe of Canadian pension funds. The quartile breakdown was as follows:

	3 Mo	1 Yr	4 Yr	10 Yr
1 <sup>st</sup> Quartile (%)	6.6	11.9	9.1	8.9
Median (%)	5.6	10.0	8.0	8.3
3 <sup>rd</sup> Quartile (%)	4.4	7.2	7.2	7.5

#### Relative to the Benchmark

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

	3 Mo	1 Yr	4 Yr	10 Yr	15 Yr
Fund Return (%)	7.4	10.5	7.9	8.3	6.9
Benchmark (%)	5.1	10.0	8.0	7.9	6.6
Excess Return (%)	2.3	0.5	-0.1	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

- North American equity markets had a strong quarter with investors becoming increasingly optimistic about a return to normalized economic activity after COVID-19 vaccines were approved by health authorities. In Canada, the S&P/TSX returned 9.0% (+5.6% for the year) with 9 out of 11 sectors posting positive returns. Health Care (+29.9%) was the top performing sector, followed by Consumer Discretionary (+20.4%) and Financials (+15.4%).

- The FTSE Canada Universe Bond Index gained 0.6% in Q4 (+8.7% for the year), as credit spreads continued to tighten. The Canadian yield curve steepened as 10-year yields gained 10 basis points to 0.67% while 2-year bond yields declined 5 basis points to 0.20%.

- U.S. equities, as represented by the S&P 500, climbed 12.1% in Q4 and 18.4% for the year. All 11 sectors posted positive returns. Outside the U.S., major global equity markets also posted strong gains. The MSCI Emerging Markets Index advanced 16.1%, the MSCI World Index gained 12.5% and the MSCI EAFE Index rose 11.4% in local currency terms (+19.5%, +14.1% and +1.3% for the year, respectively).

- Approximately 50% of the QPP's USD and Euro exposure is hedged to Canadian dollars. The Canadian dollar appreciated against the U.S. dollar over the quarter, closing December at 78.5 cents U.S., up 4.8% from the September 30, 2020 closing value of 75.0 cents U.S.