

Queen's Pension Plan

Quarterly Investment Report



March 2021

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, 2021 are as follows:

	3 Months (%)	1 Year (%)
S&P/TSX (Canadian Stocks)	8.1	44.2
MSCI World (Global Stocks ex Can Net)	3.4	35.9
FTSE Canada Universe (Canada Bonds)	-5.0	1.6
91 Day T-Bills (Treasury Bills)	0.0	0.2

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, 2021 market value of the Queen's Pension Plan (QPP) was approximately \$2.5 billion and can be broken down as follows:

Asset Class	Policy Mix (%)	Current Mix (%)
Canadian Equities	16.0	17.6
Global Equities (ex-Canada)	37.0	38.3
Fixed Income	37.0	34.4
Real Estate	5.0	4.7
Infrastructure	5.0	4.4
Cash & Other	0.0	0.5

PERFORMANCE OF QPP

Relative to Other Pension Plans

The QPP returned 2.4% for the quarter, placing it in the first quartile of BNY Mellon's universe of Canadian pension funds. The QPP's one-year return of 26.2% was also in the first quartile. The quartile breakdown was as follows:

	3 Mo	1 Yr	4 Yr	10 Yr
1 st Quartile (%)	2.4	22.7	8.0	8.7
Median (%)	0.6	18.9	7.3	8.3
3 rd Quartile (%)	-1.7	15.4	6.3	7.3

Relative to the Benchmark

The fund's short-term and long-term performance has been in line with the benchmark, outperforming it across all reported return periods.

	3 Mo	1 Yr	4 Yr	10 Yr	15 Yr
Fund Return (%)	2.4	26.2	7.7	8.3	6.8
Benchmark (%)	0.7	20.3	7.4	7.7	6.3
Excess Return (%)	1.7	5.9	0.3	0.6	0.5

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 an optimistic start to the year, supported by surging oil prices, accelerating COVID-19 vaccine rollouts and brighter overall economic prospects. In Canada, the S&P/TSX returned 8.1% with nine out of 11 sectors posting positive returns. Health Care (+37.8%) was the top performing sector, followed by Energy (+18.8%) and Financials (+12.7%).

- The FTSE Canada Universe Bond Index declined 5.0% in Q1 as medium and long-term bond yields surged the most since the onset of the pandemic. The Canadian yield curve steepened as 10-year yields climbed 88 basis points to 1.55% while 2-year bond yields were nearly flat, advancing 2 basis points to 0.22%.

- U.S. equities, as represented by the S&P 500, returned 6.2% in Q1 (+4.7% in Canadian dollar terms). All 11 sectors posted positive returns. Outside the U.S., major global equity markets also posted gains. The MSCI EAFE Index advanced 7.7%, the MSCI World Index gained 6.3% and the MSCI Emerging Markets Index rose 4.0% in local currency terms.

- 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 March at 79.5 cents U.S., up 1.2% from the December 31, 2020 closing value of 78.5 cents U.S.